Daily Report

Latin America

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Cuba

Robaina Points to Compliance With Migration Accord

PA1505203095 Havana PRENSA LATINA in Spanish 1931 GMT 15 May 95

[FBIS Translated Text] Havana, 15 May (PL) — Foreign Minister Roberto Robaina today highlighted the compliance by the both sides of the Cuban-U.S. migration accord that was signed on 2 May.

"(The accord) is going fine. The two sides are greatly respectful of it, and, most of all, the will to enforce it exists," Robaina stated during a news conference in which he announced the second "The Nation and The Emigrants" meeting to be held from 3 to 6 November of this year.

In April of last year, Cuba organized the first conference on its migrants, an event in which hosts and guests analyzed problems dealing with procedures to travel to Cuba.

Robaina ruled out a possible connection between November's meeting and the aforementioned migratory accord, since the first deals with Cuba and its exiles all over the world, and the accord is limited to Havana and Washington.

"There are no indications that it may be suspended and we have examples that the accord is being followed with as agreed," the foreign minister stated.

Last week two groups of rafters who were trying to travel to the United States illegally were repatriated, something that promises advances in bilateral migratory relations.

The migration agreement basically states that the 21,000 rafters detained at the Guantanamo Naval Base, on the eastern tip of Cuba, will be admitted to the United States, and that those who try to arrive illegally in that country will be repatriated.

More Rafters Intercepted Near Florida Coast

PA1605024095 Havana Radio Havana Cuba in Spanish 0000 GMT 16 May 95

[Report by Marcos Castellon from the United States for the "Evening Information Review" newscast]

[FBIS Translated Text] Continuing the implementation of the agreements reached by the Washington and Havana governments to prevent the illegal immigration of Cubans to the United States, the U.S. Coast Guard has reported that it has detained a boat that was drifting in the Florida Straits.

U.S. Coast Guard personnel reported that they had found 23 people on board the Miami-registered ship; two of them Dade County residents of Cuban descent. The authorities, thus, assume that, in principle, it is an illegal immigrant snyggling case. The group included the two Cubans who are residents here and 22 additional Cubans who were apparently picked up in Cuba, and among them the body of a woman who apparently died during the trip.

The U.S. Coast Guard rescued 11 men, eight women, and four children who were alive and in good health from the ship, which ran out of fuel south of Key West, and transferred them to a Coast Guard cutter, where they are being interrogated to determine if they meet political asylum requirements or if they are to be returned to their country of origin.

Since the bilateral agreements went into effect, 24 Cuban citizens, who reside on the island, have been intercepted at sea and repatriated by the U.S. Coast Guard to the Cabanas port in the northern coast of Cuba's western area.

According to Federal Prosecutor Kendall Coffey of Miami, the two crew members who were in charge of the ship are under federal investigation and will probably be charged with the crime of illegal smuggling of immigrants.

The owner of the ship, who lives in Hialeah, Miami, told THE MIAMI HERALD that he did not know his ship had been intercepted and that he had just recently found out that his friend, at whose house he had left his ship docked, had lent it to the two men who were arrested. It has since been reported that the two men were also rafters who came here approximately two to three years ago.

The body of the woman who died on board the ship is being examined by judicial physicians at the Keys to determine the cause of her death.

U.S. Anti-Immigrant Groups Compared to Militias

FL1205190095 Havana Tele Rebelde Network in Spanish 1630 GMT 12 May 95

[Commentary by correspondent Carlos Iglesias; from the "NTV" newscast]

[FBIS Translated Text] We are witnessing the consequences of a history of violence in the United States. California organizations are once again supporting the anti-immigration Proposition [iniciativa] 187 following the attack against the Oklahoma federal building by white, extreme-right activists who are unhappy with the authorities.

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The campaign in California was organized by racist, xenophobic, and extremist sectors wanting to implement this measure, which has been declared unconstitutional. Outraged, they have tried to intimidate public officials who rejected the bill. This only corroborates the right wing's offensive in the United States.

Paramilitary groups hostile to the Democratic government train and work in 20 states — or 30, as some people say. They allegedly oppose gun control — and they have an abundance of guns — because it contradicts the constitution's second amendment. You have to remember that U.S. history is a rosary of violence — yet, these organizations have other goals. Their leaders say that they have plans to strike bridges, communications stations, airports, even people, and afterward withdraw. This is not surprising in a country which witnessed the murder of its president in 1963.

The extreme-right militia's justification is that government has betrayed the country. This is the same pretext used by Californian anti-immigrant groups. The most conservative sectors of Cuban exiles also protested following the joint Cuban-U.S. statement on 2 May. Since then, former Playa Giron mercenaries, Batista followers, and other sectors in Miami have gone all out to demonstrate against the government, in protests as raucous as the ones in California and Oklahoma.

As the saying goes, birds of a feather flock together.

Commentary Outlines Helms-Burton Bill Amendments

FL1205234095 Havana Radio Rebelde Network in Spanish 1700 GMT 12 May 95

[Commentary by Susana Tesoro: "Helms, The Creative One"; from the "National Radio News"]

[FBIS Translated Text] It would seem that because of the public hearings that began several days ago, which are being held by our people throughout Cuba, it would no longer be necessary to provide any information about the well known Helms-Burton bill. However, during the public hearing of the judicial workers union, Ricardo Alarcon, president of the National Assembly of the People's Government, advised the participants of new amendments that have been added to further enhance the bill. These additions are basically to reinforce the most meddlesome and annexationist aspects of that legislative freak. For example, it includes support of the so-called democratic groups who defend human rights in Cuba. This will further heighten the Miami annexationist tendencies. We think this is to provide new hope to those small groups who have recently organized small protests of the U.S. Government's responsible compliance with the new migratory accord. Approximately 200 to 300 excited individuals participated in protests in Miami — there was quite a lot of hysteria — due to the return of 13 rafters, illegal immigration candidates, to Cuban authorities by U.S. authorities. This action correctly complies with the migratory agreement between Cuba and the United States. Is it a coincidence that these events were immediately followed by quick reinforcement of the Helms bill, a very obliging gesture for those groups of annexationists. No doubt, it is all part of the same problem.

Another new addition to the bill maintains the measures implemented by President Clinton on 20 August; that is, no visits or funds to relatives. This will continue until the Cuban Government has been ousted and the President of the United States can certify that the properties have been returned and, of course, that the colonization process has been completed.

Everything indicates that the bill is consistent with the current trend, a satisfying situation for the prodigiously reactionary senator, Jesse Helms.

Radio Reports EU Official's Remarks on U.S. Blockade

FL1205152395 Havana Radio Reloj Network in Spanish 1400 GMT 12 May 95

[FBIS Translated Text] In Madrid, Leon Brittan, vice president of the European Union, has warned that strengthening the U.S. blockade against Cuba could have negative consequences.

Brittan told EL PAIS newspaper that this measure, which is being discussed in Washington, would have a negative effect and would create problems in relations between the United States and the European Union, and also Japan and Canada.

During his stay in Spain, Brittan met Foreign Minister Javier Solana to discuss Spain's presidency in the organization during the first six months of 1995.

PRC Ambassador Confirms Trade Ties To Grow 'Considerably'

FL1305184695 Havana Radio Progreso Network in Spanish 1700 GMT 13 May 95

[From the "National Radio News"]

[FBIS Translated Text] Chinese Ambassador to Cuba Xu Yicong has visited important economic facilities in Holguin Province. Xu pointed out that Cuban-Chinese trade relations will increase considerably this year, thanks to the diversification and expansion of several economic projects. These projects will surpass the $270 million mark reached in 1994. Xu toured the (Auba)

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electric motor factory, in Cacocum Municipality, which was set up with Chinese technology. Xu said during the visit that a raw material shipment is currently en route to Cuba, thus assuring the production of 8,000 units — this year's production goal for this new factory. Xu reported that a group of Chinese businessmen has been in Havana City for the past few days to consider possible markets, to discuss mutual cooperation in the bioenergy sector, and to assess the development of high quality breeding methods of certain farm animals.

Raul Castro Sends Letter to Politburo Commission Meeting

FL1505112495 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 15 May 95

[From the "NTV" newscast]

[FBIS Translated Text] Jose Ramon Machado Ventura, Division General Ulises Rosales del Toro, and other members of the Politburo and Central Committee have presided over a meeting that took place at the end of a visit to Camaguey Province. The commissions appointed by the Politburo visited 10 sugarcane mills, 76 Basic Cooperative Production Units [UBPC's], and numerous locations of economic and social significance in six municipalities, and spoke to over 11,000 people.

Camaguey's sugarcane production was discussed during the meeting. The final Politburo report highlights operational irregularities in some mills and sugarcane UBPC's. Suarez Gallol mill manager participated in the discussions, and explained the mill's plans to repair equipment, recycle parts, and train the cadres.

Rosales showed concern about the premature deterioration of the mill after only 10 years of operation, which was attributed to construction and technology problems, and the instability of technical personnel, management cadres, and workers. In addition, Cespedes Agroindustrial Complex problems involving sugarcane cleaning and planting were discussed, and particularly the shortage of quality seeds, which is widespread in the province. It was also reported that Camaguey lost 500 caballerias of sugar, which were burned, but were not milled for several reasons. Carlos Lage pointed out the need to carefully select the sugarcane areas to receive the foreign resources Cuba has been able to find because they would be effective only if a substantial increment in sugarcane volumes is achieved.

Participants discussed a plan that calls for an extraordinary effort to arrive at the upcoming harvest in better shape.

[Begin unidentified speaker recording] I am hopeful, and I sincerely believe that Nelson Torres will save the sugarcane industry, with your help, with the help of us all. [end recording]

Participants stressed that food distribution in Camaguey is insufficient, especially in Santa Cruz del Sur and Nuevitas. They noted that important industries are located in Nuevitas, which never before worried about producing food, but are now planting tubers and vegetables on nearby land, and have some organic orchards. Yet, the food problem has not been fully solved.

It was also reported during the meeting that the number of cattle diminished, and milk production fell as well, and is only 85 percent of the milk produced in 1989, due to a shortage of grass and feed, which have became worse from droughts.

Several irregularities in the public health sector related to family doctors were discussed. However, there were no reports of childbirth deaths, and infant mortality was reported to be 7.5 per 1,000 births. Participants stated that the operation of education centers and daycare centers is generally satisfactory. The fact that people's councils are conscious of people's concerns and have the will to find solutions came up during the discussions. It was also observed that industry workers are making efforts to achieve their goals.

Maria de los Angeles Garcia discussed Party operations and the need for a coherent cadres' policy.

[Begin recording] [Garcia] Following this, steps must be taken in the provinces, depending on what was and was not achieved. The first answer must come from communists, and from the Party's grassroots-level organization.

[Unidentified speaker] We are developing a schedule for providing answers as quickly as possible. I know that there is a desire to struggle. I know there is enthusiasm and determination to fight, and I know that we the people from Camaguey have enough of Agramonte's honor. [end recording]

Div. Gen. Ulises Rosales del Toro read a letter from Army General Raul Castro, second secretary of the Communist Party of Cuba, at the end of the meeting, in which Castro apologized for not having been able to participate in the meeting, and issued some work guidelines for the Party, government, and the people of Camaguey to focus on.

[Begin Rosales recording] The solution to the problems that you confront today would only be possible through a strong political movement directed at mobilizing the masses under the Party's leadership. We trust in the glorious lineage of the sons of Camaguey, in the descendants of Gral Ignacio Agramonte, and yesterday

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we commemorated the 122d anniversary of his death in combat. Sincerely, Army Gen. Raul Castro Ruz. [end recording]

Roundup of Politburo Members' Activities

FL1505112395

[FBIS Editorial Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 14 May.

Ricardo Alarcon has attended a public hearing on the Helms-Burton bill in Havana City sponsored by university students. Alarcon was also present at the Nico Lopez refinery's public hearing on the bill. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 6 May 95)

Ulises Rosales Del Toro and Russian Ambassador Arnold Kalinin have commemorated the 50th anniversary of the defeat of fascism at the International Soldier's Mausoleum, in Havana. (Havana Radio Rebelde Network in Spanish 2300 GMT 9 May 95)

Alfredo Hondal Gonzales has saluted Ciego de Avila farmers on the great many potatoes, cabbages, and tomatoes harvested during the winter campaign. (Havana Radio Rebelde Network in Spanish 2300 GMT 10 May 95)

Editorial on Labor Force Reorganization Process

PA1505172695 Havana PRENSA LATINA in Spanish 1413 GMT 15 May 95

[FBIS Translated Text] Havana, 15 May (PL) — The editorial column of the official weekly TRABAJADORES affirmed today that the process of reorganizing the work force is one of the most complex and delicate issues regarding the Cuban economic, political, and social scene.

TRABAJADORES emphasizes how difficult it is for a society of workers to lay off one employee and the decrease of job sources.

Besides losing 85 percent of its markets and having its external purchasing power reduced, the Caribbean country is facing a toughening of the U.S. blockade.

TRABAJADORES adds that the reorganization of the work force seeks that each company have the exact number of workers it needs, a basic requirement toward economic efficiency.

According to official statistics, for the first time in three decades half a million Cuban workers will be relocated in new jobs.

TRABAJADORES says that in view of the economic adjustments and the reorganization of the labor force programs, the issue has taken on general characteristics.

TRABAJADORES says that the neoliberal policy which has spread throughout almost the entire globe is manifested by the privatization of state-owned companies, technical changes, capitalist reforms, and a general offensive against labor's achievements and trade unionism.

Despite the fact that Cuba is developing a more efficient and competitive economy in keeping with the rules of the global market, it will not adhere to the previously mentioned option.

The will to find ways to useful employment for those who are being relocated prevails in the reorganization process, and to implement it, each sector, branch, or company must receive authorization from the government.

TRABAJADORES says that one of the objectives of the labor reorganization is that no worker be left abandoned. TRABAJADORES urges that the excess of workers — due to inflated payrolls — be distinguished from the excess of workers caused by a drop in production due to the current difficult economic situation.

After exemplifying the business-like and functional precision of the Revolutionary Armed Forces, TRABAJADORES emphasized that what is more important is to create new values with the same material and financial resources currently available.

British Commonwealth Secretary General Arrives in Havana

FL1305020295 Havana Radio Rebelde Network in Spanish 2300 GMT 12 May 95

[From the "Exclusive" program]

[FBIS Translated Text] Emeka Anyaoku, secretary general of the British Commonwealth of Nations, arrived in Havana today at the the invitation of Cuban Foreign Minister Roberto Robaina. During his four-day stay, Anyaoku will follow a busy schedule, which began with a meeting with Ernesto Melendez, minister of Foreign Investment and Economic Cooperation. Later on, the visitor will attend an official welcoming ceremony at the Foreign Ministry.

On Saturday and Sunday, Anyaoku will visit Santiago de Cuba Province, and on Monday he will meet with Carlos Lage, secretary of the Executive Committee of the Council of Ministers; Foreign Trade Minister Ricardo Cabrisas; and Ricardo Alarcon, president of the National Assembly of the People's Government.

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Colombian Trade Delegation Arrives in Havana

PA1505033395 Havana PRENSA LATINA in Spanish 2051 GMT 14 May 95

[FBIS Translated Text] Havana, 14 May (PL) — A delegation of 22 businessmen from various Colombian sectors arrived today in Havana. The delegation is led by Lazaro Mejias, manager of Proexpo [Export Promotion Fund].

Mejias told PRENSA LATINA that this will be the beginning of more intense trade relations. He said there is already a long history of negotiations between the two countries, adding that the Colombian Government and the institution he represents are going to achieve the three forms of links they hope to establish.

These will be exports to Cuba, imports from Cuba to Colombia, and investment of Colombian capital in the island.

I am accompanied by businessmen involved in these three types of activities and we are sure that after meeting with their Cuban counterparts, they will establish very important contacts and business between the two countries, he said.

Mejias also emphasized that priority will be given to the construction, metalworking, tourism, education, health, ceramics, and crafts sectors.

Lage Heads Plenary Session With Colombian Businessmen

FL1505194895 Havana Radio Reloj Network in Spanish 1936 GMT 15 May 95

[From the "National Radio News"]

[FBIS Translated Text] A delegation of Colombian businessmen began a series of meetings today in Havana aimed at strengthening and expanding bilateral economic and trade relations. Carlos Lage Davila, vice president of the Council of State, presided over the opening plenary session of the Colombian-Cuban business meetings, sponsored by (Pro Export Colombia), the official body charged with promoting Colombian exports. After welcoming the Colombian businessmen, Carlos Martinez Salsamendi, president of the Cuban Chamber of Commerce, turned the meeting over to Ernesto Melendez, minister of foreign investment and economic cooperation, who indicated that trade between the two nations the last three years totaled over $250 million. Several joint enterprises and economic associations are in negotiation as a result of the bilateral contacts, and 12 agreements have been reached regarding farming, fishing, animal and agricultural health requirements; health and sports sectors, as well as professional and commercial education. Lazaro Mejilla Arango, general manager of (Pro Export), expressed his confidence that the results of the meeting would be highly beneficial to both Cuba and Colombia despite pressures against them.

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Government Authorizes Banking Trusts

PA1305005495 Mexico City EL FINANCIERO in Spanish 10 May 95 p 4

[Report by Alicia Salgado]

[FBIS Translated Text] Finance and Public Credit Secretary Guillermo Ortiz and Bank of Mexico Governor Miguel Mancera today authorized bankers to start establishing the banking trusts that will allow them to reschedule business debts in Investment Units (UDI's).

It is expected that between May and June, the bankers will have rescheduled the debts of 8.5 percent of micro, small, and medium-sized businesses that have loans of less than 400,000 new pesos.

Meanwhile, both officials confirmed to the bankers that "the key variables of the economic program presented on 9 March will not be adjusted," and this includes the annual inflation goal of 42 percent.

Miguel Mancera also announced that the first issue of government bonds, worth approximately one third of the 72 billion new pesos that will be used to fund accounts rescheduled in UDI's, will probably be issued during the second half of May; the remainder will be issued as progress is made with the program, which will undergo weekly evaluations. Concurrently, preparations are under way to issue government securities at real interest (adjustable bond) rates.

During their monthly dinner with members of the Mexican Association of Bankers [ABM], the financial authorities and leaders of multipurpose banking institutions agreed to make a "maximum" effort to reschedule the highest possible percentage of the approximately 200,000 micro, small, and medium-sized businesses between May and June.

The rescheduling will be carried out concurrently with the formation of the trusts, and the National Banking and Securities Commission will issue (within a maximum deadline of two weeks) the financial information disclosure rules to which banks will be subjected for presentation of their balances and memoranda accounts, including the rescheduling, since the banks have progressed in the process of identifying and selecting the debtors who may join the Support Program for the National Productive Sector [Programa de Apoyo a la Planta Productiva Nacional].

ABM Vice President Antonio del Valle announced at a news conference that with the consent of the authorities, the bankers decided to initiate a mass campaign on propagating banking deposits in UDI's, because this will allow them to "increase the offer of rescheduling in UDI's or to grant new loans through notes in Account Units," which are "highly demanded."

Meanwhile, Secretary Ortiz confirmed before the bankers "that there will be no adjustments" of the key variables anticipated in the 9 March program, including the inflationary goal of 42 percent. He said that it is expected that the monthly inflation rate will go from a little over 4 percent in May to a little over 2 percent in July.

Governor Miguel Mancera announced that more than half the foreigners who own Tesobonos [treasury bonds] worth $900 million, which mature on 11 May, have requested settlements in pesos, which they will reinvest in Mexican debt notes. This will "considerably improve the system's liquidity" and will allow the issuance of Adjustable Bonds at real interest rates, in accordance with the monetary restriction program agreed upon in the economic program.

In this regard, del Valle said that at the meeting, financial authorities evaluated the progress of the program and economic development. He explained that the inflation rate "will have to fall in May and June" because price increases stem from cost increases, not from a monetary increase. Because there is no money and because the impact of rising costs, the exchange rate, salaries, the VAT [value-added tax], gasoline prices, and other prices took place at once, it is not a monetary increase; thereby, the economic contraction itself will reduce subsequent prices increases." [no opening quotation mark as published]

On another topic, Antonio del Valle reported that fiscal authorities and bankers reached an agreement to "share," in a smaller proportion, the 120,000 bank employees and the tax revenues stemming from the implementation of Article 78-A dealing with the fiscal system of the bank employees' benefits. He pointed out that the secretary instructed Revenues Under Secretary Pedro Noyola to set this week the definite terms of the agreement that will allow a substantial reduction (reportedly close to 10 percent) of the financial burden posed by the credits the institutions grant to employees on the employees' direct salaries.

Demand for UDI's is Too High

A study based on a survey conducted by 14 banks to identify those borrowers who need to reschedule their debt to alleviate their liquidity woes shows that six out of 10 formal loan applicants demanded debt reorganizations in UDI's, three accepted the reorganization options offered through interest capitalization programs and maturity extensions, and one accepted a maturity extension without a grace period to pay maturities, as they agreed

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to pay interest at seven points over the prime rate on unpaid balances.

"Demand for the UDI's is too high due to the expectations they generated. This situation has rendered many institutions unable to utilize different reorganizations as the borrowers refused," a bank executive responsible for approving borrowers assessed.

He also explained that the "credit profile" is as rigorous or even more rigorous than the profile under which the original credit was granted because the revision is concentrated first on those borrowers who are "placed" in portfolios B and C. Those loans in the D and E portfolios, the riskiest loans, are submitted to the National Banking and Securities Commission.

In the meantime, Banamex [National Bank of Mexico], Banorte, Bancrecer, and Banoro are institutions that have made public the conclusion of operations reorganizing debts into UDI's, because while authorities made public the regulations, they moved ahead in the integration of credit files.

Bancomer [Bank of Commerce], Atlantico, and Bital banks will conclude their first operations on 11 and 12 May. Serfin, Inverlat, Mexicano, Promex, Cremi Union, and Probursa banks will conclude next week. We still do not have information in this regard on Banpais, Banorie, and Bancen, which are the farthest behind in their internal reorganization processes.

Finally, banking sources confirmed that as the balance of the concluded reorganizations drops, the institutions must set up reserves representing 15 percent of the reorganized debts. These reserves, however, will not translate into additional capital injections in the reserves and trusts emanating from the credits themselves under "normal" and valid conditions.

Pemex Investment Budget To Be Increased In 1995

PA1205174195 Mexico City EL FINANCIERO in Spanish 10 May 95 p 27

[Report by Eva Lozano Estrella]

[FBIS Translated Text] The 1995 investment budget for Mexican Petroleum (Pemex) will be increased almost 6 billion new pesos over the previous year's budget, which was 10.489 billion new pesos. This will make it possible to increase the crude oil and natural gas production levels 1.6 and 6.0 percent, respectively, over the 1994 results.

Oil sector officials announced that out of the total investment budget for 1995— approximately 16.201 billion new pesos — 60 percent will be channeled to projects for oil exploration, development of oil fields, and maintenance of wells and installations, especially in the coastal and southern regions.

That way, they said, the federal government significantly supports Pemex development by increasing its investment budget considerably.

They admitted, however, that a more rational use of resources is necessary because in 1994 Pemex registered an overdraft of 148 million new pesos, which is practically equivalent to the Energy Secretariat's budget.

For the time being and during 1995 the main investment actions in oil exploration will be channeled to a program to incorporate reserves. This will include projects in Campeche, in the Tabasco coastline, and in the Southeastern and Burgos Basin. The objective is maintaining an adequate level of reserves consonant with the pace of oil operations in order to satisfy domestic oil demands and comply with the platform for oil exports.

In regards to field development, the Och-Uech-Kax, Abkatun-Pol-Chuc, and Cantarell projects stand out. They are located in the Campeche, Jujo Tecominoacan, Jacinto, Catedral, and Sen boring sites in the southern region and will significantly contribute to the planned increase in the crude oil and natural gas production levels.

A large part of the investment budget will be channeled to development in the area called Litoral de Tabasco, especially for the exploration of light crude oil deposits, with high contents of associated and condensed gases which will contribute to greater production and supply of gasoline and natural gas to the national market.

The refining projects will receive more than a fourth of the organization's total investment budget. In this area, the projects that stand out are the ones geared to improving the quality of the gasolines in all the refineries of the system and to further the Tula hydrodesulfurizing fuel oil plant so that it can significantly increase the production of Magna Sin gasolines and reduce the volume of heavy fuel oil having a high sulfur contents.

Business Leaders Present Economic Proposal to Zedillo

PA1405143695 Mexico City EL FINANCIERO in Spanish 12 May 95 p 22

[Report by Herminio Rebollo Pinal]

[FBIS Translated Text] The top leaders of the business sector yesterday presented to Mexican President Ernesto Zedillo their "Proposal for the Sustained Growth of the Mexican Economy."

In the proposal, they demanded a complete change in the tax system, continuation of the current economic

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model (although with some in-depth adjustments), and a reduction of the foreign sector's vulnerability.

During a breakfast at Los Pinos, the Business Coordinating Council (CCE) Executive Commission — headed by Luis German Carcoba Garcia and comprising representatives from all private sector organizations — presented the document, which makes in-depth proposals. The proposals also seek to have long-term effects that prevent the common traumas that accompany the end of each six-year administration.

Less than 40 pages long, even the businessmen consider the document unusual. In fact, it does not call for the abolishment of already existing plans or prevent the presentation of other plans by any of the business organizations.

The proposal covers various topics, among which the following stand out:

— Resolute support for the current model of economic opening, competition, and a free market. Nevertheless, they proposed some adjustments, because they believe that some programs begun at the beginning of the previous administration have been left in midstream. The launching of many others, they said, is still pending.

— Drawing up a new tax system in the country. More than suggesting specific tax reductions or the elimination of one or two taxes, the proposal goes to the core of the problem, emphasizing the promotion of productive activity, the preservation of legal guarantees, and the simplification of procedures.

— Definition of a broad strategy for policies in each sector on the basis of productivity and creation of jobs.

— Establishment of a national infrastructure model.

— Establishment of a policy to train public administration personnel.

According to reports, the document includes special sections on savings, maintaining and increasing the nation's ability to attract foreign exchange, and the resulting reduction in the level of vulnerability which, as is perfectly clear, our country has experienced, engendering one crisis after another.

The document was formulated within the past four months by the Private Sector Economic Studies Center headed by Roland Vega Saenz and Oscar Vera.

The drafting of the proposals is one of Luis German Carcoba Garcia's final actions as CCE leader, given that this month he ends his two-year term in this post.

So far, the proposal has been well received by the federal executive, which at this time is involved in the process of drawing up the National Development Plan that will be presented by the end of the month.

The business leaders who went to the meeting at the official residence included German Gonzalez Quintero of Concanaco [Confederation of National Chambers of Commerce], Victor Manuel Diaz Romero of Concamin [Confederation of Industrial Associations], Carlos Abascal Carranza of Coparmex [Employers Confederation of the Mexican Republic], Jose Madariaga Lomeli of the Mexican Association of Bankers, Manuel Robleda of the Association of Financial Intermediaries [Asociacion de Intermediarios Financieros], Jose Luis Llamosa of AMIS [expansion unknown], Salvador Lopez Negrete of Canaco [National Chamber of Commerce], and Victor Manuel Terrones Lopez of Canacintra [National Association of Manufacturers].

Businesses Request Changes in Payment of Social Security

PA1305151495 Mexico City EL FINANCIERO in Spanish 10 May 95 p 26

[Report by Arturo Gomez Salgado]

[FBIS Translated Text] The business sector has demanded a modification in the payment of Mexican Social Security Institute (IMSS) quotas, which it termed as onerous because they have depleted the capital of at least 50 percent of the production structure.

Approximately 700,000 enterprises currently owe the IMSS and they face the risk of a seizure, because they are unable to meet their commitments.

The National Association of Manufacturers (Canacintra) says it is important that the IMSS grant longer terms to pay debts and reduce its moratorium interests, because their implementation only worsens the situation in which enterprises, which are currently in the worst recession of the last 20 years, are closing down.

Canacintra President Victor Manuel Terrojes emphasized that the industrial sector pays 35 percent of the labor-management quotas and the payments represent a critical drain, particularly at a time when they lack financing, possibilities of achieving growth, or even fiscal incentives to allow them "a slight respite."

Terrones said he advocates the implementation of an overall insurance that is financed by the businessmen and that involves even the payment of pensions, to guarantee that the quotas' benefits are directly received by the workers.

The business leader asserted that if a businessman fails to make his IMSS payments even by a day, a collector will show up within a week to demand payment.

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"It is not fair. We face a critical liquidity problem and this must be understood by the authorities, because they are also trying to find a way to collect more resources."

He said that the 700,000 enterprises that currently owe the IMSS also have the same problem with the private banks, so their situation is critical and they might disappear. This will undoubtedly result in an all-time increase in the unemployment rate.

The Canacintra representative emphasized that they will maintain their demand that the IMSS grant an extension of at least three months for the debts' payments, and an abstention from enforcing the moratorium interests.

Otherwise, he warned, many businessmen overwhelmed by the crisis will decide to close or, in the best of cases, resort to temporary contracts to reduce operational costs.

Victor Manuel Terrones said the IMSS directorate members are willing to reach fair agreements, and the first step is a promise that a seizure of assets will only be enforced in truly exceptional cases.

Council to Promote Small Businesses

PA1305020295 Mexico City LA JORNADA in Spanish 10 May 95 p 43

[Report by Elena Gallegos and Emilio Lomas]

[FBIS Translated Text] After installing the National Council on Micro, Small, and Medium Industries [Consejo Nacional para la Micro, Pequena, y Mediana Industria], which will seek to turn this sector into a key generator of competitiveness and jobs, Herminio Blanco, commerce and industrial development secretary, announced the streamlining of regulations for companies to open and operate, boost exports, and promote the association of companies.

Additionally, in view of their contribution to production, their great capacity to generate employment, and high potential to take advantage of the benefits of commercial treaties, the official announced the implementation of special programs to give incentives to the textile and shoe sectors.

Next, President Ernesto Zedillo said his administration will implement a "decisive" policy to promote free access to the different activities of the country's economic life through a just and equitable competition where "unjustified privileges" are not granted to groups of companies.

He felt the regulatory action must not block or hamper the productivity of individuals. For that reason, rules will cease to be controlling ones to become ones that promote, henceforth, such regulations will center on protecting the rights of consumers.

Simultaneous with the streamlining of the rules, self-regulation and the shared responsibility of individuals will be encouraged, since the "government will act based on trust," Zedillo affirmed.

In addition, the president instructed the secretariats of health, environment, natural resources and fisheries, comptroller general, and commerce and industrial development to work with the INEGI [National Institute of Statistics, Geography, and Information Science] in designing a single format that includes all the requirements set by those entities to authorize companies to open and operate.

The president announced that during the next period of sessions the National Congress will be asked to debate a bill to make legal amendments that will do away with paperwork, license extensions, and the authorization of the bases for the IMSS [Mexican Social Security Institute], Infonavit [Institute of the National Fund for Workers Housing] and SAR [Retirement Savings System] premium payments.

The INEGI will coordinate, in turn, the preparation of lists by sector and activity related to the opening of a company, whereas the Health Secretariat will replace the health license with a notice of operation in businesses that do not carry a health risk.

In the next 30 days — the president continued explaining the new program to boost economic activity — the Environment, Natural Resources and Fisheries Secretariat will replace the environmental impact statement with a preventive report whenever small companies do not engage in high risk activities.

Similarly and to streamline the paperwork at the IMSS, Infonavit, and SAR Commission, a single identification number will be used to become affiliated to those organisms.

As for the new National Council, he said that in the coming months proposals should be submitted to open possibilities to a large number of small businessmen who find themselves burdened with paperwork, have no access to financing under adequate conditions, lack appropriate technologies to compete efficiently, and do not have expeditious means to sell.

The president felt the National Council will be the most important forum to study and design systems and means to promote these industries where the largest proportion of jobs in the country is centered.

Zedillo also attached great importance to extending the activities of the National Council to all entities, something that will require an intense and respectful

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coordination with state governments and local business groups.

Later on, he made it clear the announced package of measures and the National Council's installation are "merely the first step of many we will take together to stimulate the development of micro, small, and medium companies."

He noted that with the confirmation of the first results of the Adjustment Program it is appropriate to begin considering reforms and programs that will make it possible to achieve a firm and sustained recovery of economic activity and employment.

The president told business leaders and secretaries of state that economic policy goals for the coming years will be to achieve dynamic growth in the GDP and employment under conditions of increased price stability and based on solid financial foundations.

The session was held at 1400 in the "Adolfo Lopez Mateos" room at the official residence. Present, among others, were Education Secretary Miguel Limon Rojas, Finance Secretary Guillermo Ortiz, Health Secretary Juan Ramon de la Fuente, Comptroller General Norma Samaniego, Labor Secretary Santiago Onate, Agriculture Secretary Francisco Labastida, and Social Development Secretary Carlos Rojas.

Zedillo insisted, "we need and can have an expanding economy that generates better-paying jobs, just as the people are demanding," adding that, in order to achieve this, the nation must "be committed to successfully complete the adjustment program and then unite to promote savings and productive investment."

The first person to speak was Commerce Secretary Herminio Blanco, who said changes to the production structure have not been made fairly and that attention is still focused on exports.

Afterward, he referred to the importance of the micro, small, and medium-size businesses, which represent 99 percent of the number of establishments and 78 percent of all job sources.

He listed "horizontal" and "vertical" measures for establishing an efficient and open regulatory framework and the introduction of mechanisms that establish incentive structures to promote flexibility and productive process adaptability.

He said that during the past two years the executive branch will modify the relevant regulations and that from then on the opening and operation of businesses will be ruled by two principles:

1. Only those businesses that offer a substantial risk to the people will be regulated. All other sectors will need only to announce their opening.

2. Entrepreneur self-regulation and joint responsibility will be encouraged in order that they themselves will be the ones to determine whether their businesses are involved in risky activities.

This rule will be backed by a risk verification evaluation system entrusted to several private experts. Authorities will continue to have the power to sanction to defend the interests of society in areas such as construction, sanitation, environment, and public security.

This new method of regulation will be complemented with four additional policies: A) reduce paperwork to a minimum, B) the use of a single form, C) additional one-step operations, and D) a positive relationship between regulator and those regulated.

For exports, promotional mechanisms will be developed similar to what international competitors have access to and merger plans will be facilitated between micro, small, and medium-sized businesses, in order to maximize competitive advantages.

Likewise, links of these productive units with large businesses will be encouraged in order to raise the integration and efficiency of productive chains and the Temporary Import, Return of Tax to Exporters, and Foreign Trade Enterprises Programs will be modified.

Everything is aimed at simplifying the complex steps used to verify indirect exports and so that these exporters agree to the zero VAT [value-added tax] rate. This will allow indirect exports to be treated the same as the direct ones and export companies can appoint a customs broker.

In order to encourage merger schemes, rules will be modified for the takeover firms and they will receive fiscal preferences through simplified tax assessment for 10 years. They will also have a special financing program.

Regarding sectorial programs for the textile and clothing manufacturing sectors and leather and shoe sectors, the Trade Secretary listed five points:

1. Preferential tariffs for consumer goods [bienes finales] in both productive chains will increase 35 percent for five years and custom controls will be reinforced.

2. Training for technicians and middle managers.

3. Design of a special program for financial support and export promotion.

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4. Merger mechanisms will be encouraged to bolster production specialization and improve the integration of productive chains.

5. Establish financing programs and a financing program for government purchases in order to give support to sector businesses.

Roundup of Mexican Economic Developments

PA1505154395

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 14 May.

The National Council for Science and Technology (Conacyt) is expected to allocate 41,155,474 new pesos to support 226 research projects this year. Of this money, 21,039,030 new pesos will be earmarked for state universities, with the remainder going to the Federal District. (Mexico City LA JORNADA in Spanish 5 May 95 p 20)

According to an 8 May, Ciudad Acuna-datelined report, more than 10,000 head of cattle have died because of the intense drought that has been affecting the region over the past two years. The local cattle ranchers association has reported that this loss represents approximately 15 percent of all cattle in this border community in the northern part of the country. (Mexico City NOTIMEX in Spanish 1821 GMT 8 May 95)

According to a survey of companies listed on the Mexican Securities Exchange (BMV), the construction and cement industries registered negative growth in the first three months of the year. Meanwhile, the mining, chemical, and manufacturing sectors showed positive growth because they have a lower risk factor and strong export markets through which they are compensating for the decline in domestic demand. The iron and steel processing industry showed an average increase of 32.20 percent in sales and a 709.43 percent increase in net profits. Mining firms grew at an average rate of 100.23 percent and showed an average increase in net profit of 33.76 percent. Chemical companies recorded a 72.50 percent increase in sales, while industrial groups showed a 16.22 percent increase in sales. (Mexico City EL FINANCIERO in Spanish 8 May 95 p 15)

Pemex (Mexican Petroleum) has reported that, in the first three months of 1995, it exported some 1,253,100 barrels of oil to the Far East, Europe, and the Americas, earning about $1.853 billion in foreign exchange. According to Pemex, the United States purchased 74.5 percent of Mexican crude oil exports during the first quarter, Spain 10.7 percent, and the Far East 6.3 percent. (Mexico City REFORMA in Spanish 8 May 95 p 29A)

Pemex has reported that sales of Magna Sin gasoline averaged 257,700 barrels per day in the first three months of 1995, representing 51.5 percent of all gasoline sales. Pemex also reported that demand for Nova gasoline continued to decline. An average of 242,400 barrels per day were sold in the first quarter, reflecting a 20.8 percent drop over the same period a year earlier. (Mexico City LA JORNADA in Spanish 9 May 95 p 35)

According to the Bank of Mexico (Banxico), the import tax reduction implemented under NAFTA prompted the National Consumer Price Index to drop 0.6 percent in 1994. Banxico also reported a large trade deficit with Europe and Asia, noting that for every dollar worth of merchandise Mexico sold to these regions, it imported $3.26 and $6.23 worth of goods, respectively. (Mexico City REFORMA in Spanish 8 May 95 p 29A)

According to a BMV study, foreign investment in variable income stocks increased for the second consecutive month in February, amounting to $23,125,015,000 by the end of February. The BMV report said foreign investment in these instruments had dropped to $18.92 billion in December following the peso's devaluation. (Mexico City LA JORNADA in Spanish 9 May 95 p 43)

BMV figures have shown that 105 companies listed on the exchange suffered 31.860 billion new pesos worth of losses in their exchange operations in the first quarter of 1995 — five times greater than the losses recorded in the same period a year earlier. According to financial reports, the net losses of these firms amounted to 8.488 billion new pesos, although their sales increased 19.85 percent. The losses were primarily caused by increased liabilities and higher interest rates. (Mexico City LA JORNADA in Spanish 9 May 95 p 43)

The Secretariat of Finance and Public Credit (SHCP) has reported that tax revenues in March dropped by 20 percent in real terms from March 1994. The SHCP said revenues derived from federal taxes in March totaled 7.2 billion new pesos, while in 1994 these revenues totaled 7.5 billion new pesos. It is believed that tax revenues have declined this year because of the difficulties many companies are facing. As of March, annual income tax revenues totaled 14.665 billion new pesos, representing a 21 percent drop over the same period a year earlier. In the first quarter, the overall decline in income tax and corporate tax collection totaled 4.9 billion new pesos in real terms. (Mexico City EL FINANCIERO in Spanish 9 May 95 p 4)

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According to a 9 May, Mexico City-datelined report, the Secretariat of Energy has granted seven permits to private companies to generate electricity and supply their own power needs. Deputy Energy Secretary Jose Merino noted that the new permits represent an investment of more than 960 million new pesos. He added that private firms currently generate 675 megawatts, which is equal to the electricity produced at one of the two units at the Laguna Verde Nuclear Plant. The official concluded by saying that the granting of these permits is part of the modernization of the electricity sector, which was initiated in 1992. (Mexico City NOTIMEX in Spanish 0019 GMT 10 May 95)

According to a 9 May, Mexico City-datelined report, diesel exports by Pemex increased by 30,600 barrels in the first quarter of 1995 over the same period a year earlier. Pemex sources said that between January and March the country's refineries produced a daily average of 279,800 barrels of diesel, which represents a 4.1 percent increase over last year. This increase allowed Pemex to produce a surplus of diesel for its subsequent sale abroad. (Mexico City NOTIMEX in Spanish 0109 GMT 10 May 95)

According to a 9 May, Mexico City-datelined report, interest rates on Treasury Certificates (Cetes) have declined for the third week in a row. According to Banxico, the drop in rates on all Cetes issues was prompted by a gradual stabilization of the main economic indicators over the past few weeks. Banxico reported that rate for 14-day Cetes fell to 61.44 percent, 8.55 points less than the previous week. Banxico also announced that the rate on 28-day Cetes, considered as a benchmark indicator, was set at 60.98 percent. (Mexico City NOTIMEX in Spanish 0356 GMT 10 May 95)

The export community has voiced satisfaction over the setting of a 35 percent tariff on the import of Asian hides, shoes, and clothing. Sources said this measure will bolster the domestic shoemaking industry, which had lost 50 percent of the domestic market in recent years. Herminio Blanco, secretary of comerce and industrial development, explained that the higher tariff will provide important protection for domestic firms, allowing them to become more competitive in the future. (Mexico City EL FINANCIERO in Spanish 10 May 95 p 19)

Banxico has reported that inflation rose 8 percent in April. According to Banxico, this is the highest monthly inflation rate reported since 1988. The 8 percent increase in April is greater than the inflation rate for all of 1994, which was 7.05 percent. In the first quarter of 1995, prices rose by 23.66 percent. Banxico stated that the price of basic market basket products increased 10.4 percent over the level registered in March. This increase in the Consumer Price Index was primarily driven by the increase in the value-added tax. (Mexico City LA JORNADA in Spanish 10 May 95 p 45)

During the month of March, Pemex reported a 48.8 percent increase in revenues on domestic gasoline sales. This is the result of a 35 percent hike in gasoline prices in March and the 1 centavo tax on gasoline in Mexico City. Despite a drop in sales of unleaded gasoline, revenues increased as a result of increased gasoline prices. This trend is expected to continue in April. (Mexico City REFORMA in Spanish 11 May 95 p 23A)

Santander Bank-Mexico will begin offering six funds for investment companies in the next quarter. The Spanish financial institution received approval from the National Banking and Securities Commission which expects the instruments to meet the country's savings needs. Joaquin Avila, general director of the bank's Mexican operations, said the funds will include a stock fund, an asset fund, a variable income fund, two investment partnerships, a growth fund, a mid-term deposit fund, and a debt investment fund. He noted that the funds will be tailored to the needs of each customer. (Mexico City EL FINANCIERO in Spanish 11 May 95 p 7)

The Netherlands-based Rabobank has announced that it will open a branch in Mexico and plans to invest $20 million in agro-industrial projects, including coffee and cotton. Bank officials said they have studied the market's potential through their affiliates, adding that they "plan to stay in Mexico for a long time." One official said, "The idea is to serve as a springboard for Mexican exporters." (Mexico City EL FINANCIERO in Spanish 11 May 95 p 7)

Mexican Railroads General Director Luis de Pablo Serna has reported that in the first quarter the state-owned corporation increased cargo operations by 17 percent. The official explained that the decision to offer more competitive fees made rail service a more attractive choice to customers who were comparing it with other transportation services. He added that the Transportation and Communications Secretariat has authorized the railrowad to set up a special task force to work on the privatization process. (Mexico City LA JORNADA in Spanish 11 May 95 p 45)

The construction industry has reported a 37 percent decline in activities in the first quarter over the same period a year earlier. The National Chamber of the Construction Industry explained that 58.8 percent of the industry's work comes from the public sector, which has implemented strict spending controls. Irrigation

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and sanitation projects dropped by 43 percent, while transportation projects fell 51 percent. Electricity and communications projects decreased 42 percent. (Mexico City REFORMA in Spanish 11 May 95 p 19A)

The National Foreign Trade Bank of Mexico reports that textiles and clothing sales increased 37 percent in the first quarter of 1995. The bank believes that the opening of new markets was a main factor, although most textile and finished clothing are sold to the United States. Textiles alone saw a 66.6 percent increase, a trend officials expect will continue. (Mexico City LA JORNADA in Spanish 12 May 95 p 46)

Pemex has registered an 87.7 percent increase in revenues in the first quarter over the same period a year earlier. Pemex Director Adrian Lajous said the company recorded N$15.19 billion in sales of petrochemical and oil products. In the first quarter of 1994, sales totaled 7.99 billion new pesos. The increase comes mainly from petrochemical sales and an increase in oil prices, while production figures were mainly unchanged or slightly lower than last year's figures. Oil sales leveled off at $2.84 billion. Petrochemical production rose by 10.1 percent. Oil production was off 1.6 percent, while drilling averaged 40,000 barrels per day for a total of 2.66 million barrels. Natural gas production was stable, while production of raw materials fell 2.7 percent. (Mexico City REFORMA in Spanish 12 May 95 p 21A)

According to a 13 May, Mexico City-datelined report, Mexican foreign reserves now total $8.321 billion, just five months after the sudden loss $24 billion following the devaluation of the peso. (Madrid EFE in Spanish 1512 GMT 13 May 95)

EZLN Negotiators Accept Government 'Detente' Proposal

PA1505201595 Mexico City NOTIMEX in Spanish 1935 GMT 15 May 95

[FBIS Translated Text] San Andres Larrainzar, 15 May (NOTIMEX) — The representatives of the Zapatist National Liberation Army (EZLN) today accepted the government's proposal for a "Program of Integrated, Progressive, Reciprocal, Proportional, and Verifiable Detente."

During the fourth day of working sessions here in the southeastern Mexican state of Chiapas, the Zapatists pledged to take the issue to their rank-and-file for consultations and return with a definitive response at the next meeting between the two parties.

Information obtained by NOTIMEX indicated that during this morning's session the parties secured a "Minimum Agreement on Detente Measures," which they will implement at a time to be determined in the future. For the next meeting, the date of which is unknown, the parties will consider proposals on specific territories in which the detente measures can be implemented.

They also discussed details on follow-up and verification procedures and mechanisms, means to guarantee security for both sides, procedures for advising of incidents, and other matters that will permit the consolidation of this measure. They also discussed new progress in detente measures.

Government Team Head: Talks With EZLN 'Very Fruitful'

PA1605041795 Mexico City NOTIMEX in Spanish 0325 GMT 16 May 95

[FBIS Translated Text] San Andres Larrainzar, 15 May (NOTIMEX) — The talks with the delegation of the armed group in Chiapas were "very fruitful," Marco Antonio Bernal Gutierrez, coordinator of the government representation to the peace dialogue in that state, said today.

When interviewed at the conclusion of the fourth day of negotiations in the Chiapas town of San Andres Larrainzar, Bernal Gutierrez noted that the minimum detente agreement reached with the Zapatist National Liberation Army (EZLN) constitutes "great positive progress."

Before returning to the Chiapas city of San Cristobal de las Casas, the government delegation coordinator said with evident optimism that the talks are on the right track. "We are doing well, we are doing well," he said.

The first direct peace talks between the EZLN, which emerged in January 1994, and the government of President Ernesto Zedillo, who was installed last December, concluded on 15 May with a decision to postpone them until 7 June at the same venue.

The two parties, which will in the meantime continue negotatiations through the mediator, Bishop Samuel Ruiz, reached a minimum detente agreement that includes the regrouping of the Mexican Army in a yet to be determined area.

The EZLN agreed to "seriously" study and present for consultation within its "rank and file" the government proposal to initially house its militants in one of the seven routes proposed for the complete installation of the forces of the armed group.

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EZLN, Government To Continue Direct Talks 7 Jun

PA1605041495 Mexico City NOTIMEX in Spanish 0251 GMT 16 May 95

[FBIS Translated Text] San Andres Larrainzar, 15 May (NOTIMEX) — The Mexican Government and the Zapatist National Liberation Army (EZLN) agreed on 15 May to postpone until 7 June direct talks on peace in Chiapas and to continue negotiations through the mediator, Bishop Samuel Ruiz.

The decision was made on the evening of 15 May after the parties reached a "minimum military detente agreement" on the fourth day of negotiations in San Andres Larrainzar, in northwestern Chiapas, a state located in southeastern Mexico.

The EZLN delegation accepted the minimum military detente agreement that includes the regrouping of the Mexican Army in a specific space along a "route" that the parties will determine at upcoming meetings, official sources reported.

The EZLN agreed to study an initiative to install its militants in one of the seven routes that the government delegation proposed.

After the second set of negotiations between the EZLN and the government of President Ernesto Zedillo, the armed group agreed to study the proposal and submit it for consultation within its "rank and file" to have a reply by the next direct meeting in San Andres Larrainzar.

According to the sources, the two parties reached the "minimum agreement that constituted new progress with regard to a detente measure that they will test in an specific case" that has yet to be defined.

Until direct talks are resumed, the EZLN, which emerged on 1 January 1994, will decide in which one of the proposed routes it will install the first group of its forces on an experimental basis.

Should this model, which has been implemented in other nations where guerrillas operated, prosper, and should the EZLN accept it, all militants of the armed group would be installed in the remaining six routes.

At the conclusion of the meeting, the delegations of the EZLN and of the Mexican Government thanked the National Mediation Commission (Conai) headed by Ruiz, who is bishop of San Cristobal de las Casas, Chiapas.

The dialogue process will continue with the firm determination of the parties to advance through agreements and commitments along the path of peace with justice and dignity, the sources said.

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Belize

CDB Reports Economic Contraction Result of Redress Efforts

FL1205231395 Bridgetown CANA in English 1957 GMT 12 May 95

[FBIS Transcribed Text] Belize City, May 12, CANA — Belize experienced significant economic contraction last year mainly as a result of government's efforts to redress fiscal and balance-of-payment deficits, according to the annual report of the Caribbean Development Bank (CDB). The report, issued at the 25th anniversary meeting of the bank's board of governors, said the rate of expansion of Belize's economy declined from 3.5 percent in 1993 to 1.6 percent in 1994, following growth of over 9 percent in 1992.

"The slowdown in both years reflected the contractionary action by the authorities to address fiscal and balance-of-payment disequilibria induced by previously high rates of public spending ...," the CDB report stated. It also ascribed the slowdown to drought conditions experienced by the the Central American member of the Caribbean Community (Caricom) and the reduction in aggregate demand resulting from a significant decline in the British military presence. Increasingly tight liquidity in the banking system, partly in response to increased public-sector borrowing, also contributed to the decline in activity levels.

"Domestic credit extended by the banking system rose by 9.1 percent to 260.4 million, following increases of 11.8 percent in 1993 and 15.7 percent in 1992," the annual report revealed. Preliminary data for the 1994/95 fiscal year show a deficit of US24 million; recurrent revenue was projected at 131.8 million, compared to the original budget estimate of 134.6 million. According to the Annual Report, the projected recurrent deficit of 2.8 million was in contrast to the budgeted surplus of 1.6, and was the first for many years.

"The recurrent account deficit reflected shortfalls in import duty and income tax arrears collections, compared with the budget targets, the former resulting from a decline in imports," the CDB report suggested. At the end of the year under review, public sector external debt of 169.3 million was about one percent above the level at the end of December 1993; and "authorities continued their efforts to restructure the public sector external debt away from short-term commercial sources." Inflation edged up slightly from the 1993 level of 1.3 percent to 2.3 percent during 1994, affected by adjustmnents consequent on the introduction of the gross receipts tax during the year. Provisional information showed a 3.1 percent increase in the value of merchandise exports to 119.6 million, largely as a result of export price increases for some traditional items.

"The value of exports declined, mainly as a result of a contraction in domestic demand, and this contributed to a 22 million reduction in the current account deficit to 27.5 million," said the report. Based on its 1994 assessment of the Belizean economy, the CDB believed that resumption of higher rates of growth is contingent on the success of measures to restore viability to the fiscal situation. This in turn, it said, would contribute to a return to a restoration of private sector confidence, a reduction in public sector demand for bank credit, and a return to higher rates of public sector investment. Care will need to be taken to maintain adequate levels of foreign exchange, the CDB added. "In the short term, GDP growth is predicated on good performance in the traditional export industries and tourism. Sugar production levels and earnings are expected to be maintained, and banana and citrus production should rise," the CDB said.

El Salvador

Planning Minister: VAT Increase Needed for Stability

PA1605043895 San Salvador EL DIARIO DE HOY in Spanish 15 May 95 p 23

[FBIS Translated Text] Planning Minister Ramon Gonzalez Giner said on 13 May that the value-added tax (VAT) increase is needed to maintain the country's stability.

The official said no government in the world likes to increase taxes but it must be done when necessary.

If it is not done, he added, El Salvador will register a fiscal deficit, which means inflation and an economic crisis similar to the one being experienced by some countries of the region. "We have to handle state finances in a responsible manner, and on this occasion I think we must all make a sacrifice."

He said the funds collected through the tax are definitely not going to the Planning Ministry but will be used to strengthen the peace accords and national reconstruction. He said these funds will replace the money that used to be obtained from international donations which are no longer coming because the topic of peace for El Salvador is not very important for the rest of the countries and there are still many projects to be undertaken and concluded.

Gonzalez also said the ministry's definitive technical study on how to make the government more efficient will be ready next week. "The president of the Republic

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will make the final decision, but this will not bring about an increase in personnel or higher positions."

He said the changes and regulations in the cabinet are aimed at improving the services provided to the public at the government institutions. A document already exists with the budgets and the justified allocations for the government ministries from now until 1999, when Calderon Sol's term ends.

Guatemala

De Leon 'Pleasantly Surprised' by Menem Reelection

PA1605032995 Guatemala City Televisiete Television in Spanish 1900 GMT 15 May 95

[From the "Channel Seven News"]

[FBIS Translated Text] President Ramiro De Leon Carpio has said he is pleasantly surprised by the reelection of Carlos Menem in Argentina. He indicated that Menem represents the possibility of Latin America achieving the dream of consolidating democracy. Menem is the second Latin American president reelected in less than two months. De Leon Carpio commented that this shows that the people do not want to risk making a mistake in the election of their authorities.

President Comments on Accusations of Violating Ethics Code

PA1305170595 Guatemala City Teleonce Television in Spanish 0350 GMT 11 May 95

[From the "Telepress" newscast]

[FBIS Translated Text] President Ramiro de Leon Carpio said he is waiting for a notification from the Association of Lawyers and Notaries in connection with charges filed against him by Doctor Fernando Linares Beltranena. He claims De Leon Carpio violated the professional ethics code when he appeared before the Constitutional Court, although the court had yet to issue a ruling on the challenges to the fiscal laws.

[Begin De Leon Carpio recording] I am about to receive the notification. I learned about this from the media. This proves once more the degree of democracy that prevails in Guatemala, where the president is subject not only to ordinary courts but also to charges, criticism — which the president welcomes, by the way — and other types of processes or trials. I have been charged as a lawyer, not as president of the republic, because I am still a lawyer even though I am forbidden to work in that professional capacity.

I appeared before the Constitutional Court as president of the republic, and, in fact, I have evidence that I was summoned by the Constitutional Court. This is something I will prove when I get the notification and when the process begins. I am quite certain that I will be able to prove there were legal, constitutional grounds to appear before the Constitutional Court to exercise a right rather than to exert pressure. In fact, I am pleased because directorate members of the Association of Lawyers and Notaries, the members of the Bar Association's court of honor, and the Bar Association.... [pauses] I belong to the association and I have participated in many of its actions and activities; and I have many friends, very close friends, there and yet you see — this is democracy.

The charges were not flatly or immediately rejected. We all know where the charges come from and who is behind them. They clearly have political connotations [chuckles] there is nothing juridical about them. Nevertheless, I am truly pleased about this. I am a law-abiding man and, as soon as I am notified — this will be done in a matter of days — I will be ready to present the evidence. I am quite sure that I will be able to provide the necessary legal and constitutional evidence so the court of honor may analyze them. I will feel satisfied the day they issue a ruling that favors me, and the political stratagem will collapse. The person behind this is a politician and a partisan, but I am not. I belong to no political party. [end recording]

Nicaragua

Government Cabinet Gives Full Support to Chamorro

PA1305180695 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 11 May 95

[Communique issued by the Information and Social Communications Directorate of the Presidency in Managua on 10 May; from the "National Newscast" — read by DICS Director Mario Amador]

[FBIS Translated Text] Communique No. 6 of 1995

At the end of today's Nicaraguan Government cabinet meeting, headed by Her Excellency President Violeta Barrios de Chamorro, the democratic government calls upon the Nicaraguan people to fully respect the resolutions issued by the Supreme Court of Justice, the Court of Appeals, and all of Nicaragua's judges, who have the constitutional responsibility to impart and administer justice throughout the national territory.

Likewise, the government reiterated its unyielding resolve to settle any difference between the National Assembly and the Nicaraguan Presidency through dialogue, within the framework of full respect for the current political Constitution.

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This spirit of dialogue has been extended to the nation's political parties, which have been asked to submit names for the lists of candidates for the posts of justices and alternate justices of the Supreme Electoral Council. These lists will be complemented through consultation meetings between the Nicaraguan Presidency and the political parties over the next few days.

The government cabinet took advantage of the occasion to reiterate to President Chamorro its full support and loyalty with regard to the insults she has been subjected to by irresponsible individuals, who have recently disrespected the person our people elected by an wide majority and who personifies the personal honesty and democratic aspirations of the Nicaraguan people.

The cabinet also rejected the open blackmail that Sergio Ramirez and National Assembly President Luis Humberto Guzman have publicly announced by deciding that the National Assembly will [word indistinct], freeze, and file away the discussion of the Telcor [Nicaraguan Telecommunications and Postal Service Institute] Law until the president promulgates the reform that Ramirez and Guzman intended to impose without the necessary national consent.

The National Assembly cannot be a victim of blackmail on the part of a few political factions, nor should the entire country suffer from the Assembly's slowness in processing very urgent and significant bills for Nicaragua's development.

Finally, the government cabinet also rejected the statement made today by the FSLN [Sandinist National Liberation Front] Directorate, headed by Daniel Ortega, which said that only an immediate and forceful mobilization will do away with the indifference of politicians, of the Executive Branch, and so forth. An Executive Branch headed by a president like Dona Violeta Barrios de Chamorro, which has promoted peace, freedom, and the end of military service, rationing, and weekly devaluations, could never be described as indifferent to the people's needs. Our attention is drawn to the fact that this accusation is made by the people responsible for the era with the most violence, death, and economic regression in Nicaragua's history.

The year 1995 is proving that it will be better than 1994, just as President Chamorro said at the beginning of the year. The rainy season is beginning with strength, forecasting a productive agricultural cycle. Meanwhile, unemployment is gradually decreasing as a result of increasing national production. A way to increased development will exist only to the extent that we distance ourselves from violence and forceful positions and reiterate the nation's commitment to Nicaragua's stability.

Issued in the city of Managua on the 10th day of May, 1995.

Information and Social Communications Directorate of the Presidency

Central Bank President, Ministers on Economic Situation

PA1605043395 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 15 May 95

[From the "Weekly News Summary" newscast; passages within quotation marks are recorded]

[FBIS Translated Text] The Central Bank will maintain the process of mini-devaluations, thus dismissing rumors about a major devaluation that reportedly would occur in June or July. According to the government, the economy is stable and under control, and there is a healthy situation with regard to international reserves. Here is Finance Minister Emilio Pereira.

[Pereira] "There is no reason for that. This has been one of the best years in terms of inflation, growth, exports, and prospects. We have a solid economy. I categorically say this, not only as a member of the government, but as a member of the Central Bank's Board of Directors, which is the institution that determines when a devaluation is necessary. There is currently no need for a devaluation."

The government has also reported that exports during the past four months totalled $150 million, and that foreign debt payments are under control. Here are comments by Central Bank President Jose Evenor Taboada:

[Taboada] "We hope to maintain the same policy, without any variations."

Thus far the national currency's value is stable, based on the price of the dollar here and in the rest of Central American markets. There is concern, however, over the need to privatize Telcor [Telecommunications and Postal Services Institute], which would bring $155 million into the economy. Furthermore, donations from the World Bank and the IDB [Inter-American Development Bank] to renegotiate Nicaragua's commercial debt, which totals approximately $1.7 billion, are in danger. In that regard, Foreign Cooperation Minister Erwin Kruger said:

[Kruger] "If those donations are not received because Telcor has not been privatized, if they believe the country is not advancing, it would really affect us. This could happen in two or three weeks, when those cases will be presented before the World Bank and the IDB. If by then Telcor has not been privatized and they feel

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that they should wait, the solution of the problem would be delayed."

Panama

Helms' Initiative To Extend U.S. Presence Opposed

PA1505155895 Panama City EL PANAMA AMERICA in Spanish 15 May 95 p 5A

[Report by Carlos Anel Cordero]

[FBIS Translated Text] Panamanian Government legislators yesterday reacted to an initiative advanced by U.S. Senator Jesse Helms, voicing opposition to the proposal that urges President Bill Clinton to renegotiate the presence of U.S. bases beyond the year 2000.

Helms, the chairman of the U.S. Senate Foreign Relations Committee, met with Foreign Minister Gabriel Lewis Galindo in February, informing him of his interest in asking Clinton to review the possibility of retaining some bases in Panama. Several reports say Helms, a staunch critic of the Canal Treaties and an opponent of the former regime of General Manuel Antonio Noriega, reportedly will forward this request to the White House within the next few days.

Yesterday, Legislative Assembly President Balbina Herrera voiced her opposition to renegotiating the presence of the U.S. bases, while Oyden Ortega, president of the Foreign Relations Commission, advised the government to move cautiously and wait for a specific U.S. proposal.

Herrera said the United States can propose whatever it wants, but she noted that the renegotiation of an international treaty requires an agreement on both sides. She noted that the Panamanians have yet to define their position on this issue.

For his part, Oyden Ortega said that in both Panama and the United States there is still no consensus concerning the issue, adding that for the time being no such proposal has been made. Oyden Ortega also said Panama must wait for Clinton to present a formal proposal in order to evaluate any possible terms for extending the presence of U.S. bases, and then Panama must decide what is best for the country — in other words, whether the bases stay or go.

Private Study Shows Revenues From U.S. Bases Decreasing

PA1505163195 Panama City LA PRENSA in Spanish 15 May 95 p 33A

[Report by Gisela Vergara S.]

[FBIS Translated Text] A study the business group Investigations and Development, Inc. (Indesa) conducted indicates that the Panamanian economy will stop receiving approximately $294.4 million in the next five years due to the withdrawal of the U.S. military bases.

The results of the study, financed by MultiCredit Bank, the Chase Manhattan Bank, Pribanco, the General Bank, Bancolat, Bipan [International Bank of Panama], the National Savings Bank, Citibank, and the Bank of the Isthmus, differ from official figures estimating that the country receives approximately $500 million a year from the economic activities stemming from the bases.

According to the study, the real estate market is one of the most adversely affected markets, because it will stop receiving some $24 million a year from the 1,928 U.S. citizens who rent homes in Panama. The average rent they pay is $1,036.

However, Southern Command official figures indicate that the economy receives $43 million for rent paid by nearly 2,290 U.S. citizens. The average monthly rent is $1,563.

According to Indesa, the study shows that 10 to 15 percent of the U.S. citizens living in Panama live in pairs. This way they divide the cost of the rent between those sharing one apartment.

Analyzing rent in Panama, the figures indicate that rent for homes of less than $800 represent 8.3 percent; rent ranging from $800 to $1,100 represent 58.7 percent; and rent of more than $1,100 represent 33 percent. The study also indicated that the latter two markets will be hit the most.

Meanwhile, the homes that revert to Panama will join these high-cost markets. In other words, while losing 2,000 clients, an additional 4,461 homes will compete in the market.

The amount of unoccupied homes reached 240 in 1994, and it is estimated that this amount will increase to 301 in 1995. In 1997, this figure could reach 135 [as published]. In 1998, the study forsees it could amount to 310, and in 1999, the amount may reach 886.

According to the recently conducted study, 4,461 homes having a "large" social infrastructure will compete in the Panamanian economy. Of this amount, 2,900 homes have already reverted.

Among the facilities that will revert to Panama, there are three golf clubs with capacity for 3,450 people, 10,000 school seats, 3,365 theater seats, nine swimming pools, 80 hotel rooms, six gasoline stations, and 67 gymnasiums.

One of the conclusions of the study indicates that the properties reverting to Panama will "largely" strengthen

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the public sector, because huge assets will be transferred, adding that the economic development potential will depend on what the country does with these areas.

In order to gauge U.S. consumption, the study used the results of a survey conducted by the Southern Command among U.S. citizens working in the bases.

According to these results, $6.8 million were paid in public services in 1994. This figure will drop to $1.9 million in 1999. In domestic help, they spent $8 million, figure that will drop to $2.7 million within four years. They paid $7.1 million in foodstuffs, amount that will decrease to $2.4 million in 1999. They also paid $7.1 million in transportation, amount that will drop to $2.4 million. Expenses will drop from $91 million in 1994 to $36 million in 1999.

As for the employment of Panamanians at the bases, the study shows that $89.9 million in wages were paid in 1994, in addition to $2.8 million in retirement benefits. The total amount of employee benefits was $92.7 million.

It is expected that $59.3 million in wages and $17.4 million in retirement benefits, totaling $76.2 million, will be paid in 1999. In the year 2000, only $17.4 million will be paid in retirement benefits.

The study also shows that the labor force, composed of 4,136 Panamanians in 1994, earned four times the average salary paid in the rest of the country. The amount of workers will drop to 2,611 in 1999.

Specialist Warns of Contamination in U.S. Defense Sites

PA1505195795 Panama City EL PANAMA AMERICA in Spanish 15 May 95 p 20E

[Article by Carlos Vargas]

[FBIS Translated Text] Dr. Jaime Espinoza has warned that the environmental problems which occurred in military bases in the United Stated, the Philippines, Germany, and other countries could occur in Panama because similar activities were carried out here using the current technologies and cleaning methods.

In a conference titled "Military Bases: Environmental Safety and National Development," Dr. Espinoza warned against the danger of contamination in U.S. defense sites and their transfer to civilian use.

The specialist said it was easy to predict that problems from toxic and unexploded artifacts which arose in other countries would also be present in U.S. military bases located along the banks of the Panama Canal.

Espinoza said that "the evidence of such past cases as those of unexploded bombs, and the death of individuals caused by unexploded bombs, in old practice and training sites transferred to Panama are occurrences which raise concern."

Dr. Espinoza warned that Panama's environmental requirements are still being defined and "are currently very weak."

Espinoza said that the cleaning up of the bases has not been completely effective because in 1993 live bombs were found in Isla Iguana, part of the residues of practice bombings carried out during World War II.

Dr. Espinoza said: "Panamanians are aware that the entire country was used in the forties and the fifties for the defense of the Panama Canal, with the installation of 134 defense sites."

Espinoza warned that Panamanians are unaware of the type and number of risky substances or materials which were or still are in military defense sites which will be transferred in the next few years.

Espinoza added that the most contaminated resource by military activities is water, since the presence of heavy metals, sulfates, phosphates, and remains of explosives as deadly as TNT and RDX have been found.

Regarding the soil, Espinoza said it has been also been polluted by a number of substances and unexploded artifacts, such as mines, bombs, and rockets.

President Defends Labor Code Reforms

PA1505213495 Panama City Telemetro Television Network in Spanish 1730 GMT 15 May 95

[From the "Telemetro Reports" newscast]

[FBIS Translated Text] President Ernesto Perez Balladares toured throughout Herrera and Chiriqui Provinces this weekend, inaugurating important community projects and distributing funding for social projects. He used the occasion to reiterate that the government's proposals to reform the labor code are designed to end unemployment, neglect, poverty, and crime in the country.

[Begin Perez Balladares recording, in progress] ...to try and create more opportunities for employment and personal improvement each day for all Panamanians — each within his own capabilities — by fostering the changes necessary to attune ourselves to today's world, to the countries which surround us and with which we compete for the jobs those investments generate — without hurting anybody. And in the specific case

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of the workers, without taking away any of their basic accomplishments, not one. [end recording]

During his tour of Chiriqui Province, the president inaugurated 37 km of the Paso Canoa-La Frontera-Volcan road, which cost over $6.3 million and connects 12 highly productive towns.

During his tour of Herrera and Chiriqui Provinces, the president defended changes in the labor code, giving assurances that the changes would not adversely affect the workers or their right to unionize, would not reduce their salaries, and would not eliminate the 13 month bonus. Perez Balladares said that misinformation has been spread about the changes. He emphasized that his administration, whose guiding philosophy is wide-ranging, concerted dialogue, has broken neither the Bambito Agreement nor any of its commitments. On the contrary, we have kept them, Balladares said.

[Begin Perez Balladares recording] It is not true that this project endangers, as has been suggested, the minimum wage. To the contrary, we are now reviewing the minimum wage because we believe it necessary. Alas, it is not true that this proposal goes against the basic rights and protection of the workers. To the contrary, this proposal is designed to fight the unemployment which continues to be our nation's main problem. [end recording]

Assembly President on Labor Law Reforms Discussion

PA1505165295 Panama City LA ESTRELLA DE PANAMA in Spanish 15 May 95 p 40

[Report by Cristobal A. Chen]

[FBIS Translated Text] Legislative Assembly President Balbina Herrera Arauz said yesterday that President Ernesto Perez Balladares must convoke special legislative assembly sessions to discuss the labor law reforms.

"We must use as much of the consultative period as necessary to analyze the Labor Code reforms proposed by the Executive Branch," Herrera said within the framework of various seminars carried out by the assembly.

According to the legislator, "we cannot adopt a decision until we hear all the versions regarding these reforms."

More than 20 labor unions, members of the Justice and Peace Commission, and legislators analyzed yesterday the document that modifies labor reforms.

Genaro Lopez, secretary general of the Single National Union of Construction and Related Workers (SUNTRACS), reasserted: "We will recommend the withdrawal of that proposal because it threatens workers' rights."

Lopez denounced: "Discussions of the document have already started at the assembly and this is a strategy of the ruling party's legislators."

According to the leader, the decision to declare an indefinite strike will be adopted following a 24-hour stoppage announced by the workers for 23 May.

Approximately five labor unions, business organizations, and the Executive Branch will meet today at the Presidential Palace to resume the dialogue on this proposal.

Mediators Announce Results of Meeting on Labor Reforms

PA1605043295 Panama City TVN Television Network in Spanish 2316 GMT 15 May 95

[News conference by the guarantors of Panama's Bambito Pact on labor reform with unidentified reporters at the presidential palace in Panama City; from the "TVN News" newscast — live relay, monitored in progress]

[FBIS Translated Text] [Station announcer Ricardo Samaniego] ...besides the rectors of the two universities, also in attendance at the meeting were the president...[pauses] pardon me, Labor Minister Mitchell Doens. In addition to Doens, the two rectors were there, as I said earlier, and also the representatives of the workers. Mr. Genaro Lopez and the representative of Sitrachilco [Union of Chiriqui Land Company Workers] did not attend the meeting at the presidency of the republic.

We will listen to the guarantors of the Bambito Pact, namely, Mr. Stanley Muschett and Dr. Gustavo Garcia de Paredes, as well as the UN representative, who were asked by the workers to intervene or mediate in the conflict between the government and the working class as the reforms to the Labor Code were presented for first debate at the Legislative Assembly. We will now go to the presidency of the republic. The spokesman or person in charge is already speaking:

[Muschett, in progress] ...to continue our efforts as guarantors and promoters of Bambito III, we summoned a meeting this afternoon between the presidency of the Republic and the labor and business sectors to find a possible formula to contribute to the solution of the situation that labor leaders referred to when they requested the help of the universities and the technical support of the UN system.

As a result of this meeting, in which the president of the Republic and the labor minister were directly involved, a number of points were established that will lead to the

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resumption of the dialogue and this includes a text and points that Rector Garcia de Paredes will now read.

[Garcia de Paredes] Several agreements were reached and we will list them now: First, it was agreed that the three parties will work together to incorporate the agreements they might reach on the labor bill. This group will work intensely, possibly in the next 45 days. Also, they invited the president of the Labor Commission of the Assembly to attend these meetings along with other honorable legislators, as observers. They reaffirmed the role of the universities and the technical support of the United Nations to guarantee the dialogue whenever required. A new forum for discussions and meetings will be created with the cooperation of the Labor Foundation. All this must be implemented in the next days, starting on (17 May).

[Unidentified speaker] Any question from the reporters?

[Reporter] [Words indistinct]

[Muschett] The labor groups reaffirmed their request. They were told that, in view of legal provisions and in keeping with the principle of governability, it will not be withdrawn. They were, however, given assurances that despite this, the dialogue, which will now start, could allow the incorporation of new points regarding this legislative proposal that could be agreed upon. Businessmen and labor leaders of the Labor Foundation welcomed this development.

[Reporter] [Words indistinct]

[Muschett] There was a confirmation, as was established in the points read by Rector Garcia de Paredes, of the invitation made to these other sectors that did not attend this meeting although they had been invited.

[Unidentified speaker] We thank you for attending this news conference.

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Argentina

Menem Lead Increases With 90 Percent of Vote Counted

PY1505134695 Buenos Aires TELAM in Spanish 1111 GMT 15 May 95

[FBIS Translated Text] The following is an update of the official general election vote count nationwide released by the Interior Ministry:

Presidential Ticket	Votes — Percentage
List 02 Menem-Ruckauf	7,823,382 — 49.46
List 03 Massaccesi-Hernandez	2,694,601 — 17.03
List 22 Mendez-Ambrosio	29,145 — 0.18
List 27 Santucho-Antognazzi	12,913 — 0.08
List 30 Mazzitelli-Fonseca	29,979 — 0.18
List 34 Zavalia-Benejam	63,300 — 0.40
List 37 Rico-Fernadez Pezzano	277,866 — 1.75
List 38 Zamora-Diaz	42,550 — 0.26
List 40 Tumini-Reyna	22,612 — 0.14
List 41 Paz-Gonzalez Chavez	3,602 — 0.02
List 42 Altamira-Molle	28,773 — 0.18
List 43 Solanas-Imizcoz	68,590 — 0.43
List 44 Christiensen-Montes	26,603 — 0.16
List 46 Bordon-Alvarez	4,682,906 — 29.60
Partial total valid votes	15,816,925 — 100 percent
Blank votes	510,495
Null votes	112,826
Observed votes	22,296
Total votes	16,462,542
Total electoral register	22,158,612
Voting Percentage	74.29
Total number voting stations	82,146
Total voting stations counted	74,679
Percentage counted	90.91

Menem Holds News Conference

PY1505183095 Buenos Aires Argentina Televisora Color Network in Spanish 0216 GMT 15 May 95

[News conference by President Carlos Saul Menem with foreign and domestic correspondents at Government House in Buenos Aires — live]

[FBIS Translated Text] [Rigoli] I am Claudio Rigoli of Channel 9 Libertad. Mr. President, what is your opinion of Jose Octavio Bordon's excellent performance, even though he lost the election?

[Menem] I think he profited from the weakness of the oldest party in Argentina, the Radical Party, [Radical Civic Union, UCR]. It is no secret that many UCR leaders did not participate in the campaign and that others joined Frepaso [Front for a Country in Solidarity]. The UCR has lost a huge number of followers. This is the only explanation for Frepaso's growth. Now we will have to wait and see how this movement evolves in future elections. This is the only possible explanation for Bordon's and Carlos Alvarez' strength today.

[Unidentified correspondent] At the end of one of your latest election victories you said that victory does not give a candidate rights. Will your responsibilities toward the people be greater now that you have won a second term?

[Menem] Rulers' obligations and responsibilities have always been enormous. These responsibilities increase by the day, as in this case. In six years, we did what no government, nowhere in the world was able to do in the difficult and dramatic conditions we had when we received the government. On that occasion, we announced that we were going to implement, as all of you already know, major surgery without anesthetics. Maybe you recall that during my message to Congress I used a phrase that belongs to Jesus Christ. I said: Argentina, get up and walk. No one can doubt that today Argentina is walking. We had problems, there is no doubt about it. Perhaps we still have some problems, we have no doubts about that either. But we will put all our efforts into overcoming them. In 1989 I said: We are going to pulverize hyperinflation. You know what our problem here is: unemployment. But this is also a world problem because things today tend to have a global effect. But I say: In the next few years we are going to pulverize unemployment in our country.

[(Lopraite)] I am Dario (Lopraite) of Radio del Plata. Mr. President...

[Menem] Louder, please.

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[(Lopraite] Yes, taking into account the election result in Buenos Aires Province, would you say that [Governor Eduardo] Duhalde is your heir?

[Menem] No. I will answer you by quoting General Juan Domingo Peron: My only heir is the people. [applause] Let me complete the thought. I think Governor Duhalde is the best governor Buenos Aires Province has ever had; there is no doubt about it.

[Cason] I am Fernando Cason of Radio Continental. Which are the most important measures you will implement now, this week? You mentioned unemployment..., but people are expecting an adjustment. There was a lot of talk about an adjustment during the campaign and people are concerned. What will you do?

[Menem] Who said anything about an adjustment?

[Cason] During the campaign...

[Menem] The opposition and the media. They media played an important role in this campaign. This was not said by me, but by one of your colleagues, Mr. Julio Lagos. These are his words: Menem defeated the opposition, but also defeated the media because most media sources were against him.

[Morar] I am Carlos Morar of Radio Municipal. I wanted to know whether Frepaso, Bordon, and the UCR have admitted their defeat. Do you have the final figures?

[Menem] Yes, the triumph of the Justicialist Party [PJ] was officially acknowledged by Bordon and Raul Alfonsin.

[Rodrigues] I am Oscar Rodrigues of LA RAZON, Television Argentina. What do you think was the main argument that placed you ahead of the opposition?

[Menem] I think that it was what we have done — the pacification of Argentina and the unprecedented transformation of our country under very difficult circumstances. We did not hesitate or waver when we had to take the necessary measures, in spite of the fact that elections were just around the corner, not only these elections but those of 1989, 1991, 1993 and 1994 as well. I acted with responsibility, without hypocrisy, and without demagoguery. My hand did not tremble. The people acknowledge this, especially the humblest for whom we are working. There is no doubt we diminished poverty.

Sometimes when I hear commentaries on poverty it seems that those who criticize us either do not read the figures or they criticize us to create problems. When we came to power, the poverty level in Argentina was 37 percent. It currently stands at 12 percent. Absolute poverty was 9 percent in 1989 and it is currently 2 percent. These are our accomplishments. The poor have great hope in us and that is why they supported us in these elections.

[Unidentified correspondent] Please, for San Martin, San Juan Province. What is your final evaluation of these elections thanks to which you return to power for four more years?

[Menem] I am not returning, I remain in power. [laughter] My impression is...Beside, my ticket partner Ruckauf is correctly here telling me that I still have six months from the former period, therefore I must remain in power for four and a half years. This means that you will have to stand me for four and a half years. I mean it jokingly.

We have won in practically all the Argentine provinces except for Cordoba. In Rio Negro I think we are even. In the Federal Capital it has been the greatest performance of all times for the PJ. The federal capital has been a very difficult bastion for us. However, our accomplishments have allowed us to obtain this steam rolling triumph.

[Balazo] I am Cristina Balazo of La Red Radio. Has the opposition yet congratulated you for your triumph?

[Menem] No, not yet. I know Alfonsin talked with [Secretary General of the Presidency Eduardo] Bauza to congratulate us and to transmit his congratulations to me. No, they have not contacted me in person.

[Montero] I am Pablo Montero of TIEMPO ECONOMICO, TIEMPO 14 from Paraguay. I want to ask an important question for the international economic operators. First, will Domingo Cavallo remain as economy minister? Second, what social sectors will most feel the drastic economic adjustment that the Argentine Government intends to implement?

[Menem] Well, the entire cabinet is to continue in their positions. We will wait until the new law on ministries is enacted — we will regualte it in an appropriate manner — and we will then make all the appointments that are appropriate or necessary, bearing in mind the new ministries we are going to establish.

Minister Cavallo as well as the other ministers and secretaries of state will continue in their positions.

I already said that some key areas will not be touched in the least like education, justice, security, and public health. Perhaps some adjustments will be made to other sectors costing approximately 150 million pesos, but not more than that. This, however, has not yet been decided. When the emergency measures we adopted a year ago expire, we will implement some tax measures like, for example, increasing the value added tax by three points.

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[Unidentified correspondent] I want to know whether the progress achieved by Frepaso is due to the UCR voters who voted in favor of Frepaso? As for health and education, will you continue with your education policy, will it increase or will there be more adjustments? What about the Mercosur [Common Market of the South] and Latin America?

[Menem] Those are three questions. The first one... What was your first question?

[Unidentified correspondent] The first one was whether the progress achieved by Frepaso is due to the votes it obtained from the UCR.

[Menem] I said this before. Frepaso has not made progress. The UCR has lost votes. That is the only reason. Frepaso has absolutely no proposals.

[Unidentified correspondent] And about Mercosur and Latin America?

[Menem] You know very well that Mercosur is an integration process that officially began on 1 January 1995. It is a project that has been prepared during the past few years. Fortunately, it has become real and with excellent results. We share common policies, common external tariffs, and several other measures that have allowed Argentina to increase its exports to the point of reverting our trade balance deficit to a surplus. We have a very good surplus.

[Rosas] I am Wilmer Rosas of Radio Rumbos, Caracas, Venezuela. We observed you at the Summit of the Americas in Miami. We listened to all your speeches and observed your participation in the meeting. There you pointed out several aspects of a possible integration of the whole American continent. We are interested in learning which are the most important Argentine foreign policy views regarding the consolidation you spoke about at the Biltmore, the consolidation of an integrated American continent as dreamed by San Martin and Simon Bolivar.

[Menem] This is an old idea we upheld for many years. It is good that you mention San Martin and Bolivar. When Bolivar was asked about the subject, he answered that his country was the American continent. San Martin gave a similar reply. By 1950 or perhaps earlier, General Juan Domingo Peron spoke about the ABC, that is, Argentina, Brazil, and Chile. He spoke with the presidents of these countries. He pointed out the need for the integration of the whole continent and about Latin American unity.

Now we are talking about this unity in other terms. A few years before returning to Argentina, Peron spoke about continentalism. It is an old idea that is becoming true little by little. Thus, we will firmly maintain this proposal which, although it has been brought forward recently by North America, is an old idea of all the inhabitants of the American continent, and in the past few years especially of the PJ.

[Unidentified correspondent] Mr. President, for newspaper EL MERCURIO from Santiago, Chile. I want to ask about foreign affairs issues. Based on your experience during your first term, what will be the main issues you plan to broach during your upcoming term? What specific plans do you have for Chilean-Argentine affairs?

[Menem] Well, I believe the facts have given a clear answer to your question. "When I took office we did not have good relations with the United States, relations with the United Kingdom had been severed, and with Chile, we had 24 border disputes. Our relations with the United States at present are at an optimal level; we have resumed diplomatic relations with the United Kingdom; and as for Chile, we have settled 23 of the 24 border disputes: The one pending — concerning the continental glaciers — is being discussed at present by the Chilean and Argentine congresses, and I think it will be settled soon."

In addition, let me remind you that Argentine troops are part of UN peacekeeping contingents in Croatia, Cyprus, Kuwait, Haiti and other regions of the world. Argentina's foreign policy is, therefore, based on peace at all levels throughout the world. This is Argentina's goal and while we are in government we will not change this policy. After 100 years of disagreements, we now fortunately have excellent ties with Chile.

[Canepa] Mr. President, I am Guillermo Canepa of ATC.

[Menem] Yes.

[Canepa] The opposition scenario has undoubtedly changed as a result of this election. How do you view government ties with the new political opposition, with the second minority, and what nexus will be established in the future to try to achieve stable political ties?

[Menem] Well, the second minority continues to be the Radical Civic Union. There is no doubt about that. As for political ties, they are perfectly well conducted in congress through the people's representatives in the Chamber of Deputies; and of the provinces in the Senate.

We will continue along the same lines because I believe this is one of the ways to continue our development on the basis of friendly ties. Nevertheless, problems will arise. Some friction might result from eventual disagreements that are magnified. Basically, though, we

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plan to have normal ties within the framework of the Constitution and the enforced laws.

[Cristalli] I am Leon Cristalli of the newspaper LA INDUSTRIA, Peru. Mr. President, do you see any similarities between your election victory and that of [Peruvian President Alberto] Fujimori, who was elected a few weeks ago? Will your election help to improve and strengthen traditional Peruvian-Argentine ties?

[Menem] We have always maintained good bilateral ties with Peru. Let us not overlook the fact that we have maintained good ties since the independence wars, the struggle for independence. There are many similarities between Engineer Fujimori's victory and my own. The only difference is that Fujimori was reelected with a much wider margin than my own. We succeeded, nevertheless. This is why I hastened to congratulate Engineer Fujimori immediately after the election process ended in Peru. He has done a wonderful job as head of the Peruvian Government. He was very much criticized, even I criticized him when he unexpectedly closed congress, but the Peruvian people have recognized his achievements and the voice of the people is the voice of God.

[Martinelli] I am Marcos Martinelli of Globo Television, Brazil. Mr. President, to what extent can current economic problems in Brazil, which has recently increased customs taxes even on products included in the Mercosur list of exemptions, undermine integration in Mercosur countries?

[Menem] I do not understand your question.

[Martinelli] A few weeks ago Brazil increased customs taxes on products included in the Mercosur list of exemptions. Can Brazilian economic problems have a negative impact on Mercosur integration?

[Menem] Up to now I am not aware of any negative impact. I believe that there is full compatibility among Argentine-Brazilian economic, tax and customs tariff policies. We will see how these evolve in the future but for the time being I do not foresee any problems, or negative impact in Argentina or Brazil. Quite the contrary.

[Menendez] I am Osvaldo Menendez of Radio Mitre. Mr. President, I would like to know if the recovery of the Malvinas Islands will be one of the objectives of your new administration in view of the new support you have obtained from the people.

[Menem] Well, as was included in our government platform and as we have repeatedly stated on all possible occasions, at the diplomatic level and in all international forums, "We will keep struggling so that the United Kingdom will acknowledge, once and for all, Argentine sovereignty over the islands, which are indeed part of our territory."

We will not resort to violence. It would be absurd to do so in this day and age. It would be foolish to wage a war and we are in no condition to do so. Even if we were, we would never again wage a war, therefore, we will continue to struggle to recover our sovereignty over the islands.

[Unidentified correspondent] Mr. President, for FRECUENCIA LATINA, Peru. Since you have discussed international issues, I would like to ask you about the weapons [shipment sent to Ecuador during the Ecuadoran-Peruvian conflict] issue. What does the administration intend to do with those people who have involved Argentina in a disgraceful international issue? How does the Carlos Menem administration plan to handle this disgraceful case which has yet to be resolved?

[Menem] As we have stated on several occasions, the weapons were shipped to Venezuela. The Argentine Government is investigating what happened to the weapons after they left Argentina and what their final destination was to be. This is still to be established. We intend to severely punish those responsible if it is established that these weapons ended up in Ecuador.

[Saavedra] I am Maria Luisa Saavedra of EL MUNDO AL INSTANTE, New York. My question has to do with economic issues. Economy Minister Cavallo has been a cabinet member, will he continue to be a cabinet member in the upcoming administration? Will you continue to privatize public companies? What assurances can you give us that the dollar exchange rate will not sky-rocket?

[Menem] As I have just said, "Mr. Cavallo will cotinue in his post as economy minister, privatizations will continue; we hope that we will have a $4 billion surplus this year, of which $2 billion will be proceeds from privatizations; and I think that the dollar may sky-rocket, but the peso will not shoot up."

You can be certain that the exchange rate parity will be maintained, at least while we are in power.

[Unidentified correspondent] Mr. President, for Radio Nacional. The election campaign has resulted in many pending bills in congress. Do you believe these bills will be approved promptly with the new configuration in the Chamber of Deputies?

[Menem] I hope so. I hope that soon we will approve the bankruptcy law, the bill on job injuries, and other bills that have been held up in congress.

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[Navarro] I am Daniel Navarro of Telecer. Mr. President, does this overwhelming victory imply a greater responsibility for you and your administration in this upcoming government term?

[Menem] Based on my extensive political experience, I wish to explain that no matter the type of victory obtained — close or overwhelming as you have just said — our responsibility has always been the same. I do not calibrate the responsibilities of government officials when they hold important government posts like the one I am holding. We will continue to act with the same responsibility as of this very moment, with the same responsibility as when I assumed the presidency in 1989, under very different circumstances, under much more difficult circumstances than the ones we are experiencing today.

[(Sagurre)] I am Carlos (Sagurre) of Radio El Mundo. Mr. Carlos Ruckau, at noon today we discussed the possibility of you becoming vice president. What is your message to the nation and to the people who are listening in this square now that your election is a reality?

[Ruckauf] I will do what Eva Peron taught me to do. I will be loyal to the people and my leader.

[Unidentified correspondent] Mr. President, for PRAVDA of Russia. You played soccer with Diego Maradona. You became a classic in politics because you won two consecutive elections. What else do want from life, Mr. President?

[Menem] I think we have won, let me see... the 1989, 1991, 1993, 1994, and 1995 elections. These are five consecutive elections and I am not counting previous ones.

I hope...my main concern is to be useful to the people. I am politically fulfilled already. I am all right in sports also. [laughs]. What else can I hope for? I was also in the theater. I was not too good but I was in show business.

[(Les)] I am Martin (Les) of Channel 10, Montevideo, Uruguay. I want to return to the region. Allow me to ask you for a concrete answer on Mercosur's offensive to incorporate Chile into this regional integration process.

[Menem] Chile asked to be incorporated, but to a free trade zone, that is, Mercosur on one hand and Chile integrated to a free trade zone with Mercosur member countries on the other. I think this is a very important step. We can study Chile's full incorporation into Mercosur after this stage is completed. The same thing is happening with Bolivia. I think their incorporation will occur at the end of this year or the beginning of next year. It all depends on Chile and Bolivia's decision. We do not have any problem integrating them rapidly.

[Vazquez] I am Edgar Vazquez of Channel 4 Teleamazonas, Quito, Ecuador. I would like to know your opinion about the process of demilitarization and demobilization that Argentina is guaranteeing as a Rio de Janeiro Protocol guarantor country. What do you expect will happen in the short term?

[Menem] It all depends on...The will of guarantor countries was very clear through their actions immediately after the beginning of the confrontation. But the parties in conflict must also contribute with all their good will to overcome this difficult situation. There was a skirmish a few days ago, I think. This was not the consequence of observers inefficiency, but the excessively bellicose attitude of some Armed Forces groups in both countries. I think the situation will be overcome quickly.

[Amed] I am Ines Amed of Emisora Atlantica. Two questions, the first: When you say that the only heir is the people and that Duhalde is a good governor are you telling us that the Justicialist Party already has other candidates for 1999? The second question is whether the function of the coordinating minister has been totally defined already.

[Menem] The cabinet chief, you mean. The Constitution defined that function. We cannot change that. Besides, anything else will depend on the people. This is why when I quote Peron and say that the people are my only heir I mean that leaders must work with them to get their votes. I was able to have presidents elected by direct vote. I think the Justicialist Party has taken a big step forward to modernize the party. At present candidates must seek their supremacy in that arena, particularly our party's public figures.

[Unidentified correspondent] Mr. President, on behalf of Television Nacional de Chile I would like to ask whether you imagined that the electoral struggle was going to be this difficult in December of last year or January this year. Second, what do you expect the poorest people in this country to do to have a better future? They have voted for you, but they are also complaining that they are going through a very bad moment.

[Menem] No, no. This is a very relative issue. It is the media which installed this idea among the people. I do not deny that they are going through difficult times, but it is not that difficult. Besides, our proposal contains hope, true hope. This is why they continue supporting us. Stability is a great achievement for the poorest groups. You were not here when I said that during my administration the poverty index dropped

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from 37 percent to 12 percent. This has obviously favored the poorest sectors. We will continue improving the situation. The five-year plan involves investments worth $88 billion. We will create new jobs and in two more years the unemployment figure — which currently stands at 11 or 12 percent — will drop to 6 percent or perhaps a little less.

[Caballero] I am Antonio Caballero of Radio Cadena Nacional de Colombia, RCN. How do you see your struggle against drug trafficking, in this front that involves everyone, in the next four years? What is your message to the Colombian people after your reelection?

[Menem] We created a secretariat directly under the presidency to combat drug trafficking. We have obtained very good results so far. We hope Peru will continue taking strong measures to fight this scourge that is afflicting humanity. The problem does not only involve drug trafficking. It also involves subversion, guerrillas, and the mafias. They all cause considerable damage and inflict a lot of destruction in communities where they establish themselves. I know the situation in Colombia is not easy, but I also know that the authorities are struggling hard against this scourge. The Argentine Government and people express their total support for their struggle.

[Caballero] And your message to the Colombian people?

[Menem] The Colombian people must know that they can count on the entire support of the Argentine Government and everything it represents to help in any joint effort. I would like to recall that when Virgilio Barco was president this government — in a symbolic gesture — donated three Pucara planes to the Colombian Government to fight drug trafficking.

[Unidentified correspondent] Mr. President, during most of this mandate you governed without a vice president. Will Mr. Ruckauf have another destiny in the government? For instance, could he become the next mayor when the Federal Capital becomes autonomous.

[Menem] No. Vice President Ruckauf will accompany my administration until the end of my constitutional mandate.

[(Samorai)] I am Enrique (Samorai) of Radio 9.90. Mr. President, I would like to know if we will have a Buenos Aires mayoral election in 1995.

[Menem] The problem is currently being studied...[changes thought] Of course. The president wants the direct election of the mayor, in accordance with the Constitution, which is the product of this administration. Let us not forget that. Other politicians complained about the subject but did nothing when they assumed power. We introduced the concept of direct elections in the Constitution and we are going to fulfill our promise. Perhaps an election will be possible before the end of the year, after agreeing on appropriate regulations. We will elect a new mayor, a city council, and those who will cooperate with the mayor.

Economic Challenges of 2d Menem Administration Examined

PY1505202095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1824 GMT 13 May 95

[Report by Daniel Casal]

[FBIS Translated Text] Buenos Aires, 13 May (NA) — Once the elections are over the economic crisis will again appear in its full magnitude, having remained a bit under wraps because of electoral needs.

The economic authorities now have the mission of overcoming the complex Argentine economic situation, which is marked by unemployment, an outflow of capital, the poor liquidity of the financial system, the drop in sales, and problems in the chain of payments.

It will be discovered whether the drop in deposits in the financial system was caused by the elections, or whether a lack of credibility will prevail in the financial system.

Although the creation of the Deposit Guarantee System served to put out the initial fire, it was not enough to prevent the withdrawal of 2.6 percent of total deposits in dollars and pesos from the banks in April.

The panic that began in March seems to have been overcome, but the costs are a drop in demand and slower industrial and trade activity.

Business sales dropped by nearly 30 percent in comparison with last December. Several industries are near to closing their production lines.

This situation has affected tax collection, especially the Value Added Tax.

Meanwhile, direct foreign investments, although speculative, continue to enter Argentina. This foreign capital represents trust in the future growth of the country.

It is also feared that the unemployment rate, which currently stands at 13 percent, will rise. If so, immediate expectations will be centered on the success of a strong civil construction plan.

Part of the success of the economy will be tied to the capability of generating a strong currency, which is essential for increasing Argentina's repayment possibilities and to honor contracted debts.

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This began to happen once the trade balance deficit turned into a surplus. The trade balance surplus was $300 million in April.

Evidence of a less vulnerable Argentina will reduce its risk classification, which is a vital detail for institutional investors.

When foreign investors analyze how they will make up their investment portfolios, they not only take into account the country's economic stability, or the progress it has achieved with its structural reforms, but also the country's exporting strength.

This is why Argentina and Mexico suffered the most from the "tequila effect," which affected by different degrees the whole continent.

The basic result is that Argentina — to a lesser extent than Mexico, but more than the rest of Latin America — has a balance of payments deficit excessively high in relation to the possibility of generating hard currency through exports.

Therefore, the first thing investors got rid of were papers from the countries that were most affected by the crisis, consequently reducing the inflow of investments.

In 1993, the relation between the balance of payments deficit and exports was 47 percent, and it now stands at 58 percent.

During the new term, the government will probably stress the strong exchange rate in order not to be affected by foreign economies.

During the past four years the country maintained a predetermined exchange rate policy only for anti-inflationary purposes, and although it has yielded positive results, the new international context will impose a change in it.

In strictly domestic terms, in face of the need to improve the tax collection rate, the imposition of a fiscal adjustment to reduce the public accounts deficit cannot be ruled out.

Argentina will have to design a solid industrial policy with the purpose of attaining sustained growth to reduce the worrisome problem of unemployment.

The country should also build a sufficiently solid basis so that it never again suffer the impact of a foreign crisis or of an preelection process.

Frepaso's Bordon Congratulates Menem on Electoral Victory

PY1505204695 Buenos Aires TELAM in Spanish 1412 GMT 15 May 95

[FBIS Translated Text] Buenos Aires, 15 May (TELAM) — Senator Jose Bordon today noted that early this morning he had congratulated President Carlos Menem for his electoral victory, and had announced to him that Frepaso [Front for a Country in Solidarity] would engage in a serious and responsible opposition. After ending up 20 percentage points behind Menem, Bordon admitted that he had hoped to finish closer in the final count.

Bordon told Radio del Plata: "Hereafter we have to increasingly support the clarity, accuracy, and confidence of the Argentine people's decision to introduce changes, engaging in a firm but constructive and responsible opposition."

The defeated presidential candidate noted that the alliance that fielded him did "very well in these elections." Concerning the 20 percentage points that separated him from Menem in the presidential election, Bordon admitted: "However, we sincerely believed we could have finished closer."

Bordon confirmed that he had telephoned Menem at 0130 today to congratulate him for the electoral results.

Bordon noted that during his conversation with Menem he announced to the president that Frepaso "would engage in a firm but responsible and fair opposition, championing the interests of the Argentine people."

Bordon said: "Hereafter we have to increasingly support the clarity, accuracy, and confidence of the Argentine people's decision to introduce changes, as it is not possible to assess votes in terms of electoral speculation, but in terms of the people's interests."

Bordon explained the massive support for the ruling party by saying: "A significant portion of the Argentine people are satisfied with the current state of affairs, and represent Menemism's own voters."

Industrialists, Economists Find Menem Victory 'Encouraging'

PY1505225295 Buenos Aires TELAM in Spanish 1341 GMT 15 May 95

[FBIS Translated Text] Buenos Aires, 15 May (TELAM) — Entrepreneurs, industrialists, and economists have pointed out that the landslide victory achieved by President Carlos Menem in the elections supplies the framework required for enhancing the economic reforms being implemented by the government.

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Economist Juan Alemann predicted "a quick recovery of the economy." He said: "The first thing that will happen now is that deposits will come back, as there is no reason for them to remain abroad."

Alemann added: "The election represents a popular approval of the entire economic program. The people broadly and generously voted for it. Therefore, the president (Menem) now has strength. Now he also has his own majority in the Chamber of Deputies to pursue his requirements."

Miguel Angel Broda, Alemann's colleague, agreed with this commentary. Broda emphasized: "Now it will be possible to achieve the comeback of one-third or one-half of the deposits that left after the crisis prompted by the Mexican devaluation."

Julio Macchi, president of the Chamber of Commerce, emphasized that President Menem achieved his victory in the elections with virtually the same number of votes with which he was elected six years ago.

Macchi told TELAM: "It represents a huge responsibility — both for the government and for the private sector — to continue to advance in the reforms undertaken."

Argentine Industrial Union (UIA) President Jose Blanco Villegas today said: "The program, which has pending issues like unemployment, will be enhanced." He added: "For us industrialists the prospects are encouraging, because now we are exporting to countries from which we used to import."

The UIA president emphasized: "We industrialists have given critical support to an administration that implemented a policy that had been requested for a long time."

Blanco Villegas said: "After reviewing the opinions of industrialists, farmers, cattlemen, state workers, policemen, and teachers, we realize that our country is making a sacrifice that is appropriate after 40 years of setbacks prompted by unwise policies."

Argentine Rural Society (SRA) President Enrique Crotto noted: "It was a clear victory. It confirmed the people's goal of maintaining the convertibility program, but there are some issues such as agricultural and livestock policy that are still pending."

Crotto said: "I hope that during this second term we will be able to reach an agreement on agricultural and livestock policy to establish clear and permanent rules."

Cesar Tortorella, the General Confederation of Industry (CGI) president, told TELAM: "The people's decision represents a clear reaffirmation of a line that we have to respect."

The CGI president added: "We have to increase our contribution to this line so as to achieve our longstanding goals of increasing production and implementing new methods to increase activities and wealth."

Brazil

Cardoso To Try For Fast Approval of Reforms in Senate

PY1305002295 Sao Paulo GAZETA MERCANTIL in Portuguese 11 May 95 p A8

[Report by Elena Cantanhede in Brasilia]

[FBIS Translated Text] President Fernando Henrique Cardoso believes that the Chamber of Deputies has already practically approved the package of economic reforms. Today, he is already working to obtain even faster approval of these constitutional amendments in the Senate, where the administration has a comfortable majority of 70 senators, and where only 49 votes are needed (three-fifths) for the amendment to pass.

The president of the Republic and the government congressional leaders have told the senators that their efforts should be directed at preventing changes in the amendments approved during two voting rounds at the plenum of the Chamber of Deputies. If no changes are introduced to these amendments it will not be necessary for them to be sent back to the lower house for further votings. Senator Elcio Alvares, the government leader in the Senate, told GAZETA that "the approved amendments have already been streamlined. Except for unexpected, last-minute outright aberrations — which appear to be rather unlikely — I can see no need to introduce changes to the amendments."

Cardoso will start this effort today at 1300 by lunching with the leaders of allied blocs in the Senate: the PMDB [Brazilian Democratic Movement Party], the PSDB [Brazilian Social Democracy Party], the PFL [Liberal Front Party], the PTB [Brazilian Labor Party], the PP [Popular Party], the PL [Liberal Party], and the PPR [Progressive Renewal Party]. The venue for this meeting could not have been more appropriate: Jaburu Palace, the residence of Vice President Marco Maciel, one of the most active political coordinators of the Cardoso administration. "The president has been a senator. He will feel right at home there," said Senate PSDB leader Sergio Machado, anticipating the mood of the meeting.

Each party bloc is beginning to coordinate internal unity so that this can be reflected in the statements and votes on the constitutional reform proposals. Yesterday, PMDB senators already met with PMDB Senate leader Jader Barbalho and with Chamber leader Michel Temer.

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From a practical standpoint they agreed to have a committee of PMDB experts monitor the reforms, and to exchange information daily between the PMDB blocs in the two houses.

Attending this meeting was Senate President Jose Sarney (PMDB-Amapa), who is regarded with a certain degree of distrust by administration politicians. A deputy who is close to Planalto Palace said: "There are doubts about Sarney, who has gone to extremes to prove his independence, but who ended up embarrassing the administration."

The possibility for an easy approval of the reforms in the Senate is based on mathematical figures: The PMDB has 22 senators; the PFL, 21; the PSDB, 11; the PTB, 5; the PPR, 5; the PP, 5; and the PL, 1. Furthermore, PPS Senator Roberto Freire of Pernambuco has been favorable to the constitutional reforms.

Congressional 'Confusion' Over Reform Amendments Detailed

PY1205124895 Sao Paulo AGENCIA ESTADO in Portuguese 2236 GMT 11 May 95

[Report by Joao Domingos]

[FBIS Translated Text] The constitutional amendments approved by the special committees and the Chamber of Deputies plenary reveal that despite the long debates on each subject, very few congressmen know very well what is being voted on. There are the most varied interpretations of the legal effects of each amendment. The amendments demonstrate that although the leaders reach agreements, they are not entirely convinced. In order to protect themselves from possible treason, their solution is to tie the constitutional amendment to a future law.

The best example of the confusion felt by congressmen are the amendments on the breaking of the piped gas and telecommunications monopolies. The Chamber of Deputies plenary today did not have the courage to go ahead with the second voting round on the gas amendment, because a charge that one of the amendment articles favors Petrobras [Brazilian Petroleum Corporation] and the OAS [expansion unknown] construction company frightened the congressmen. The congressmen demanded explanations, and late in the afternoon they reached the conclusion that the issue was not as serious.

"Nobody trusts anyone," said Deputy Beto Mansur (PPR-SP) [Progressive Renewal Party-Sao Paulo], coordinator of the Congressional Front in Favor of the Opening Up of the Telecommunications Monopoly. "There is so much fear that the government will give Telebras [Brazilian Telecommunications Inc.] to foreign capital that they are imposing regulatory laws," Mansur criticized. Mansur has contacted the government, especially Communications Minister Sergio Motta, who guarantees that Telebras will not be drained.

Deputy Ricardo Izar (PPR-SP) said that it is sad to verify that after over two months of intense debate over the breaking of the telecommunications monopoly, Congress should have arrived at a text that, in the opinion of most congressmen, will prompt hundreds of lawsuits at the first sign of an attempt by the government to privatize Telebras. To comply with requests from Deputies Nelson Marchezan (PPR-RS) [PPR-Rio Grande do Sul] and Gerson Peres (PPR- Para), Deputy Geddel Vieira Lima (PMDB-BA) [Brazilian Democratic Movement Party-Bahia], the rapporteur of the amendment, was forced to include in it a requirement for passing a law that would regulate telecommunications services, create a managing council, and outline other "institutional aspects." For Marchezan and Peres, the monopoly will not be broken until the law has been passed. They want the law to supplement the Constitution, which means to say that it will be difficult to approve it, because it will require a majority of at least 257 votes in the Chamber of Deputies and 41 in the Senate. To ensure that the law will supplement the Constitution, Peres and Marchezan will make the appropriate request during the plenum, which will require 308 votes to be approved.

Rapporteur Vieira Lima continues to state, however, that privatizations and franchising could be implemented immediately following the promulgation of the constitutional amendment. Sharing Vieira's opinion are Paulo Bornhausen (PFL-SC) [Liberal Front Party-Santa Catarina], deputy chairman of the special committee; and the following deputies who oppose the easing of the monopoly, such as Paulo Heslander (PTB-MG) [Brazilian Labor Party-Minas Gerais], Ivan Valente (PT-SP) [Workers Party-SP], Tilden Santiago (PT-MG), Milton Temer (PT-RJ) [PT-Rio de Janeiro], Fernando Lopes (PDT-RJ) [Democratic Labor Party-RJ], Sergio Guerra (PSB-PE) [Brazilian Socialist Party-Pernambuco], and Sergio Miranda (PC do B-MG) [Communist Party of Brazil-MG].

The 30 members of the special committee that approved the telecommunications amendment are divided into those who believe that the monopoly will be broken upon approval of the constitutional amendment, and those who believe that a specific law on the privatization of the Telebras system will have to be approved first. Among the few who are upholding a different position is Humberto Souto (PFL-MG), chairman of the special committee. He said: "I believe the issue will be taken to the Supreme Court." This means that once again

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Congress will be leaving a decision it should make to the courts.

'Parallel' Congress Ruled by Interest Groups

PY1605013895 Sao Paulo AGENCIA ESTADO in Portuguese 1159 GMT 15 May 95

[Article by Angela Bittencourt of the AE "Broadcast" economic news service, based on research by William Rodrigo Volpato Pedro]

[FBIS Translated Text] Sao Paulo, 15 May (AE) — It is not enough to be a master in mathematics, and to be able to memorize the acronym of every political party represented in Congress, to give an appropriate answer to a question that is regarded as fundamental by foreigners interested in Brazil: Does the Fernando Henrique administration — which was elected during the first electoral round with the largest number of votes in 50 years — have a congressional majority or not?

Mathematically, the number of deputies and senators who, irrespective of their parties, support the need for making changes would give the administration a comfortable majority, perhaps nearly all of the votes in the two houses. In recent weeks, however, the demands, victories, and power displayed by the ruralist bloc has brought to the surface the existence of a "parallel Congress" in Brazil that the administration has failed to consider in estimating its majority in Congress.

The financial market is looking for formulas to identify, within that "parallel Congress," who are in fact firmly committed to supporting the administration, ensuring an informal but invaluable loyalty to the president of the Republic.

Attrition

The first and second voting rounds on the constitutional amendments in the Chamber of Deputies and the Senate — which require a three-fifths or 60 percent majority in each house — are offering new clues to researchers, who in most cases are driven by unconcealed interests: that is, of not making mistaken evaluations that would endanger foreign investments in Brazil.

The "parallel Congress," which transcends partisan boundaries, consists of specific interest groups that become pressure groups whenever their interests are at stake.

Murillo de Aragao, a political scientist and a specialist in pressure groups in Congress, said: "The constitutional reform process is progressing at a relatively calm pace, and the administration continues to obtain a favorable majority on its proposals because the administration and political parties are not clashing with interest groups in Congress. If the government antagonizes a political party or a strong pressure group, it would be an outstanding feat for it to obtain the required majority of votes."

Aragao, who heads Arko Advice, a company specialized in evaluating political risks, believes the administration can count on the votes of 280 firmly committed lawmakers, while 60 or 70 others are maintaining a fluctuating position. The votes of the latter lawmakers will be determined by their specific interests. Aragao is convinced that any congressional bloc may turn against the administration at any time. He attributes the unstable majority to a lack of party loyalty and discipline.

Parties

Aragao believes that this sort of "parallel vote count" in Congress represents a serious risk. He said: "The decisionmaking process could be monopolized by organized sectors of society. The strengthening of a political party appears to be the best way of establishing the necessary separation between specific interests and the public interest."

The composition of the 16 standing committees in Congress — in addition to the executive board — may mathematically substantiate congressional support for the administration. The PFL [Liberal Front Party], the PTB [Brazilian Labor Party], and the PMDB [Brazilian Democratic Movement Party] account for practically 40 percent of the total number of committee members. There are over 500 lawmakers in Congress. The PPR [Progressive Renewal Party] and the PSDB [Brazilian Social Democracy Party] account for a little more than 20 percent, and 12 parties account for the remaining 40 percent on the standing committees.

There are 23 clearly identified interest blocs that could turn into pressure groups when their interests come into play. Responding to this array of interests, which are not necessarily exclusive, are virtually all of the members of Congress, which consists of 513 deputies and 81 senators.

The ruralist bloc is the largest bloc, with 99 lawmakers, which can be "multiplied" to total nearly 140 votes because nothing would prevent a Protestant or a Catholic — who belong to other groups — from sharing interests with the ruralist bloc.

Pressure Groups

An extreme possibility within this complex system of leverage would be that of a Protestant having an interest in agriculture, but who also defends the shoe manufacturers and exporters, and who is in favor of the administration. This mixture may give an idea of

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the imprecise notion many people could have about the outcome of some votings, which could depend on the subject, on the priority assigned to it by the lawmaker, and even to the mood of the lawmaker at the time he is to cast his vote.

In descending order, Congress thus consists of the following parallel groups: ruralists, 99 members; construction companies, 62; communications, 46; trade unions, 35; hospital owners, 33; public health, 31; privatization advocates, 25; Protestant groups, 21; bankers, 21; state advocates, 17; judicial branch, 15, education, 13; social security, 7; Catholics, 7; mining companies, 7; transport, 6; multinational companies, 6; public servants, 6; and private schools, 6. Other interests account for three representatives each.

Pressure groups — which do not exist only in the Brazilian Congress, and are not unique except for the fact that they can oppose the administration's interests when conflictive issues come into play — started to appear in Brazil in the mid-1970's, when some companies started to defend their interests.

Constituent Assembly

Aragon said: "Pressure groups were exceptions in the 1970's and in the early 1980's, but they have become a normal thing since 1983, and definitely took off on the eve of the national Constituent Assembly." He regarded 1982 as a turning point in the new form of business lobbying.

With the new Republic, which began in 1985, the PMDB-PFL coalition dominated the political scene and Congress, and the decisions became more likely to be influenced by pressure groups. In a research study on the congressional movement — which was later included in his book "Pressure Groups in the National Congress" — Aragon said: "The constituent process (between 1987 and 1988) suffered the influence of 383 groups and associated organizations acting in defense of their interests. Most of them did not follow the same behavioral pattern during the Constituent Assembly. A little over 20 percent of these organizations remained active during the entire process."

Based on the participation of pressure groups in congressional struggles since the 1970's, Murillo Aragao outlined some possible future patterns of action, with growing participation and intensification of conflicts because a larger share of power has been bestowed upon Congress since the political opening process; the formulation of policies for the executive branch, for instance, budget amendments; and in the overseeing of public policies through debate or congressional investigative committees.

Elite

Aragao said: "Conflicts of interest at this late stage in the century will not result in a confrontation between conservative and progressive groups. Many conflicts will transcend ideological barriers to focus on disputes over markets and jobs, bringing employers and workers together against other groups of similar characteristics."

There are other groups in Congress, and at least one of them cannot be overlooked: the parliamentary elite. A year ago, the Interunion Department for Congressional Advice (DIAP) released a list of 100 lawmakers who, thanks to their professional skill, were considered to be opinion shapers, coordinators, negotiators, debaters, or excellent formulators of proposals.

The basic profile of this elite is that of a professional with higher education who defends the market economy, who leans predominantly toward the center, who has served more than one term, and who comes from a rich region or from rich states of poor regions. Aragao outlined the profile of the elite of the new Congress late last year, and the result has been very similar.

Special Committees

Considering the current situation of evaluation and votes on amendments to the Constitution, 10 percent of the congressional elite serve on special committees as ranking members. There are five special committees, each of them consisting of 30 congressmen. One committee deals with the breaking of the oil monopoly, another with the easing of the telecommunications monopoly, another with the concept of national enterprise, another with the breakup of the state monopoly in distributing piped gas, and the last one with the opening up to foreign ships of cargo services from one Brazilian port to another. Most of the members of the congressional elite are serving on three of these five committees: the oil committee, the telecommunications committee, and the one on the national enterprise.

Serving on the oil committee are Alberto Goldman (PDMB-SP) [PMDB-Sao Paulo], Delfim Netto (PPR-SP), Roberto Campos (PPR-RJ) [PPR-Rio de Janeiro], and Jackson Pereira (PSDB-Ceara).

Serving on the telecommunications committee are Humberto Souto (PFL-MG) [PFL-Minas Gerais] and Gerson Peres (PPR-PA) [PPR- Parana].

Serving on the committee on the national enterprise are Ney Lopes (PFL-RN) [PFL-Rio Grande do Norte]; Ibrahim Abi-Ackel (PPR-MG); Jackson Pereira (PSDB-Ceara), Prisco Viana (PPR-BA) [PPR-Bahia], and Luiz Roberto Ponte (PMDB-RS) [PMDB-Rio Grande do Sul).

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Two names have been added to update the list of the congressional elite. They are members of the special oil committee: Roberto Procopio Lima Neto (PPR-RJ) and Marcio Fortes (PSDB-RJ). Serving on the committee on access by foreign ships to cargo from one Brazilian port to another are two ranking members of the new parliamentary elite: Newton Cardoso (PMDB-RS) and Thelma de Souza (PT-SP) [Workers Party-SP].

Opposition Designs Strategy Against Economic Reforms

PY1205220495 Sao Paulo AGENCIA ESTADO in Portuguese 2248 GMT 11 May 95

[Report by Joao Domingos]

[FBIS Translated Text] Brasilia, 11 May (AE) — The parties that oppose the constitutional reforms and the lawmakers who, despite being linked with the government, are against termination of monopolies, are preparing to take joint action at the Chamber of Deputies plenum. They concluded that it would be a waste of time to try to defeat the reforms in the special committees.

The rules applying to committees are different from the rules applying to the plenum. The committees are made up of only 30 lawmakers, who are elected by party leaders. Proposals may be approved by a simple majority, provided at least 16 deputies are attending the session. Things are different at the Chamber plenum. The 513 deputies have the right to speak and to vote. The minimum quorum for approval is 308 lawmakers. The plenum can still resort to the Separate Voting Mechanism (DVS).

The strategy is to submit to the plenum requests for the DVS for all the proposals that should be defeated. The DVS is a legal instrument created during the National Constituent Assembly (1987/88). It became the most feared instrument of those who want to remove something from the proposals voted on by the plenum.

A request for a DVS must be signed by 52 deputies, a number that is easy to obtain. Opposition parties have 109 deputies, which gives them the chance to request all kinds of DVS's. After a request for a DVS is submitted, this instrument removes the part that is highlighted from the bill that is being voted on. Whoever wants to keep this part in the bill will need at least 308 votes at the plenum.

Here is an example of how the DVS voting works: A group of a little more than 50 deputies submits a request for a DVS in order to cancel an article permitting termination of the Petrobras [Brazilian Petroleum Corporation] monopoly. The entire text of the bill is voted on, recalling that a DVS request has been submitted for the affected article. After the entire text is approved, a hole remains in place of the article terminating the monopoly. The sponsors of the original text need at least 308 votes to make the article return to the bill.

"We created a very powerful instrument," says Inocencio Oliveira, the Pernambuco (PFL) [Liberal Front Party] leader in the Chamber of Deputies, who has been Chamber president in the past. The DVS is so feared that upon learning that PPR [Progressive Renewal Party] Deputy for Rio de Janeiro Roberto Campos and PL [Liberal Party] Deputy for Sao Paulo Valdemar Costa Neto intended to resort to the instrument today, the lawmakers favoring termination of the piped gas monopoly preferred to postpone the voting to next week.

"The text of the second article of the amendment, which consecrates public and private monopolies, will be dropped," says PPR Deputy for Sao Paulo Arnaldo Faria de Sa. "Those who are sponsoring a sham termination of the monopoly are lost, because they do not have 308 votes," says PFL Deputy for Pernambuco Mendonca Filho. The only thing left for those who support the text of PMDB [Brazilian Democratic Movement Party] Deputy for Sao Paulo Jorge Tadeu Mudalen was to request postponement of the voting until 16 May. They succeeded.

Valdemar Costa Neto attacked them: "The objective of the maneuver to postpone voting on the piped gas monopoly is to impede the elimination of the article that protects the monopolies," he said. He said he will maintain his request for a DVS despite the pressure being exerted on him to withdraw it.

Science Minister: Brazil 'Urgently Needs' Patents System

PY1305002895 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 12 May 95

[Report by Norma Neri in Rio de Janeiro]

[FBIS Translated Text] Science and Technology Minister Jose Israel Vargas said today in Rio de Janeiro that Brazil urgently needs a patents system to give protection to scientific discoveries.

Commenting on the patents bill that will be debated in Congress next week, Vargas said the public is not well aware of the significance of patents rights for scientific development.

In his opinion, some are claiming that the bill is designed to make Brazil recognize the rights of others instead of protecting our own rights. He refuted the contention that the patents system will hurt Brazilian companies.

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[Begin Vargas recording] Brazilian companies have had 50 years in the pharmaceutical area, and more than 20 years in the area of food technology, to use existing patents free of charge, without paying anything for them. Why didn't they do that? Because they lacked competence, and because the problem entails science and technology. Instead of discussing patents, what we ought to legitimately discuss are the limited resources earmarked for scientists. The science and technology sector is at the center of this problem. [end recording]

Vargas was presented in Rio de Janeiro with the cartographic order of merit award in a ceremony held at the Brazilian Cartographic Society, which was created 37 years ago has 1,200 members.

Minister, Central Bank Head at Odds Over Interest Rates

PY1205212095 Sao Paulo AGENCIA ESTADO in Portuguese 2335 GMT 11 May 95

[Report by Carlos Franco]

[FBIS Translated Text] Brasilia, 11 May (AE) — Planning Minister Jose Serra and Central Bank President Persio Arida are at odds over the reasons that have prompted an increase in interest rates since March, as well as over the future trends of these rates. Addressing different congressional bodies — Arida, the Chamber Finance and Tax Committee, and Serra, the Senate plenum — each official gave today his opinion on the subject.

Serra contends that the interest rate increase is related to two factors: the high cost of rescheduling public debt bonds, and the change introduced in exchange policy in March, which "caused a disturbance and interrupted the decline observed in interest rates in January and February." Arida, however, believes that high interest rates stemmed from the monetary policy adopted to preserve the stability of prices, and that they are therefore not directly related to the change in exchange policy.

Arida said: "Many people are confused over this. It should be made clear that interest rates are high not because of the exchange policy, but rather as a result of the monetary policy. These are two different things."

Regarding the future trends of interest rates, Serra said that "the situation has returned to normal, and as soon as complete stability is restored it will be possible to bring the rates down." Arida, however, said that these rates reflect the need for the administration to ensure price stability, which is its principal goal. He declined to state when or how interest rates will drop, or whether they will drop at all.

Bank Suspends Rural Loans 'Until Further Notice'

PY1605030395 Sao Paulo AGENCIA ESTADO in Portuguese 2151 GMT 15 May 95

[FBIS Translated Text] Brasilia, 15 May (AE) — For the second time, the Bank of Brazil [BB] today suspended loans for agriculture in Brazil. The BB, which conveyed its decision to the CVM [Securities and Exchange Commission], ordered the suspension following publication by Congress of a law discontinuing the use of the Reference Interest Rate [TR] as an index for agricultural loans. The use of the TR was discontinued through a law that overrode a presidential veto of the elimination of the index. The congressional decision was already signed by Congress President Jose Sarney (PMDB-AP) [Brazilian Democratic Movement Party-Amapa] on 11 May.

In its note to the CVM, Carlos Gilberto Goncalves Caetano, the BB director for finances and market relations, made it clear that all rural credit operations have been suspended until further notice, whether in the form of cost financing, investment, marketing, or rural Finame [Fund for Financing Machinery and Equipment]. Furthermore, debt renegotiations have also been suspended "because they entail new financial clauses or adjustments to previous ones."

The only operations the BB will continue to authorize are those dealing with the automatic transformation of loans for cost financing operations — taking into account the value of the product — into Federal Government Loans (EGF), which include an Option to Sell (COV). The BB will also continue to normally disburse portions of loans approved earlier. The BB press office said that the suspension of operations for the rural sector will last until the administration finds a solution to the correction index for agricultural loans.

This is the second time the BB has suspended rural credit operations because of the controversy that erupted over the TR index. The first suspension was made on 6 April, when the administration was surprised by a ruralist bloc-sponsored vote overriding a presidential veto. The BB resumed its loan operations on 12 April after the Finance Ministry legal adviser announced his opinion that the overriding of the veto would have legal force only after it has been signed into law, and that it would only affect future loan contracts.

Oil, Railway, Other Workers Continue Strike

PY1305030895 Sao Paulo AGENCIA ESTADO in Portuguese 2257 GMT 12 May 95

[FBIS Translated Text] Brasilia, 12 May (AE) — The following is a report on the number of workers on

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strike, according to each labor class, as reported by Sole Workers Center, CUT:

Oil Workers: 90 percent of the 45,000 workers.

Railway workers: 85 percent of the 40,000 workers.

University employees: 60 percent of the 61,000 workers.

University professors: 20 percent of the 10,000 workers.

Health, Social Security Workers: 55 percent of the 125,000 workers.

Telecommunications: 15 percent of the 10,000 workers.

Tariffs on Imported Shoes Increased To 'Adjust' Sector

PY1205143095 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 12 May 95

[FBIS Translated Text] President Fernando Henrique Cardoso has announced measures to protect the shoe industry from so-called unfair competition.

On 11 May, the president adopted two measures to protect the sector. On meeting southern region shoe manufacturers at Planalto Palace, the president signed a decree regulating safeguards to defend the sector from so-called unfair competition.

Cardoso signed another decree raising shoe import tariffs from 20 to 63 percent. The new tariff level will remain in force until 1 January 1996, when it will drop to 56 percent. In April 1996, tariffs will return to 20 percent.

The president told shoe manufacturers — who had not prepared for the liberalization of the economy — that the measures do not aim at protecting the sector but at adjusting it, because the liberalization of the economy — according to Cardoso — is irreversible.

PT [Workers Party] Deputy Jose Fortunati, who attended the meeting, said the measures adopted by the government are good and will bring relief to the shoe manufacturing sector. He noted, however, that the sector must be revamped.

With the decree signed by the president, the government will stem the flow of large quantities of imported shoes into Brazil, mainly from China.

Imports of Chinese-made shoes were causing a drop in Brazilian production, increasing unemployment in the sector.

Chile

Frei Congratulates Argentina's Menem on Reelection

PY1505225495 Madrid EFE in Spanish 1848 GMT 15 May 95

[FBIS Translated Text] Santiago, 15 May (EFE) — Chilean President Eduardo Frei today sent a message congratulating Argentine President Carlos Menem on his reelection, and emphasizing the great popular support he received in yesterday's elections.

The message says: "The high percentage of popular support is an important demonstration of the Argentine people's support for your administration."

According to the official note, Menem's electoral victory "will give continuity and new impulse" to the current process of Chilean-Argentine relations, which without any doubt reflect the will of the two nations.

The message concludes by saying: "My government is certain that we will continue to take the necessary steps to consolidate our links and to face united the challenge of the new international situation."

Last night President Frei talked to Menem over the telephone to congratulate him on his reelection and to wish him success in his new administration.

Chilean Foreign Minister Jose Miguel Insulza said today it is important for neighboring countries to have "stable governments with a solid majority and large popular support."

Insulza pointed out that the Argentine people had made a great civic demonstration by taking part in clean elections, which he labeled as "a good day for Latin American democracy."

Regarding economic and bilateral relations, Insulza said the continuation of the Argentine administration will provide "greater stability and conviction" to the benefit of everyone, and that Chile and Argentina are making progress toward their economic integration.

Asked if the border issue between the two countries, related to the southern continental glaciers 2,000 km south of Santiago, will be discussed again, Insulza said that this would be seen later.

Insulza said he hopes to meet with his Argentine counterpart Guido Di Tella during the Rio Group meeting to be held in Ecuador next week.

The Chilean and Argentine presidents proposed to the congresses of their two countries a consensus agreement on the borders of the southern continental glaciers, the ratification of which is deadlocked.

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Colombia

Concern Voiced Over U.S. Capture of Cali Cartel Capos

PA1605033395 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 May 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Attention. High-ranking officials of the Colombian Government involved in the pursuit of the leaders of the Cali Cartel are afraid that U.S. commandos, who are currently cooperating with the Search Bloc in Cali, will decide to act on their own and capture the Colombian capos to take them to the United States, as has occurred in other countries. Here is a confidential report:

U.S. cooperation with Colombia in this phase of the pursuit of the Cali capos has intensified and unlike what occurred during the times of Pablo Escobar, the CIA now has leadership over the DEA agents. Officials of the three most important U.S. intelligence organizations, the CIA, the DEA, and the FBI, are in Cali with important positions and with access to all information.

No one has confirmed the numbers but the "Seven O'Clock Newscast" has been able to learn that approximately 150 U.S. officials have arrived in the capital of Valle del Cauca and that they have the most sophisticated technology to intercept communications, to such a point that the cartel's information systems have been practically demolished. About $40 million to $50 million have been invested by the North Americans in these tasks.

The siege around the most important drug capos is closing in, but the CIA agents are especially getting impatient. This is why the Colombian side does not rule out that the U.S. agents will try a Camarena-style operation as the one in Mexico or Mata Ballesteros-style operation as the one in Honduras. Both of these men became famous because they were taken by force from their countries by specialized U.S. agents without the national governments being informed.

Ordinary Colombian citizens do not rule out this possibility either. In a poll conducted by the Napoleon Franco firm in four cities from 19 to 27 April, 56 percent gave an affirmative response when asked if they thought it was very probable that specialized U.S. commandos would come to Cali to capture the cartel leaders. A question that makes one think more about the issue is the one that asks whether one believes that such an action is good or bad for Colombia. Seventy-five percent said they thought it would be bad, and only 21 percent thought it would be good.

Samper Interviewed on Current Crisis

95CA0229A Santa Fe de Bogota SEMANA in Spanish 9 May 95 pp 31-38

[Interview with Colombian President Ernesto Samper by unidentified correspondent on 5 May; place not given: "I Am On the Offensive"]

[FBIS Translated Text] Despite his youth, Ernesto Samper was considered a veteran of political battles. He had experienced humiliating election defeats, as in his 1982 Senate race. He survived 13 bullets in an assassination attempt in 1989. He has endured as much criticism as a rising politician can. But finally he reached his goal: the Presidency.

Still, he never thought that after overcoming all these obstacles he would have to experience the calvary he has endured since the very day of his election. His problem has been not having the sun on his back, but in his face. Perhaps never before has a first year in office been so heated for a chief executive. From the time when the losing candidate, Andres Pastrana, questioned the moral legitimacy of his election, until last week when the president himself asked that the narcocassettes investigation be reopened, Ernesto Samper has had to fight against a phantom. Accustomed to doing battle with flesh and blood rivals, he now faces an abstract, intangible enemy who disappears only to reappear when least expected. There is a permanent cloud of suspicion hanging over his government, originating in the omnipresent problem of all Colombians: the drug traffic.

This situation has generated a national climate that oscillates between scandal and anxiety. There are days when the Colombian people awaken with a feeling of total normalcy, and others when they feel on the verge of a crisis. This cyclical process is what Ernesto Samper wants to put behind him, and even though he often thinks he has managed to do so, the disturbance reappears.

Perhaps the person most surprised about everything that is happening is the president himself. He is a simple, uncomplicated man, known to all Colombians for many years. There is nothing more alien to his image than the imputations that have been made, either by hints or publicly, during these months. Still, his popularity has remained intact. No matter what may have happened in the election campaign, the Colombians like their president. The latest poll gave him a 70 percent favorable rating, which his predecessors in the presidency, who were never questioned like this, did not get. How can this solidarity be explained in the midst of such turmoil? Through a combination of

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factors. A lot of it is due to the chemistry of his warm personality, much to the luck that has never deserted him, and some to popular support, which can only be explained by the social content of his programs. The majority of Colombians perceive President Samper as a man who cares about the welfare of the ordinary citizen. Even though this interpretation may sound simplistic, no one has been able to offer a better one to explain his popularity.

During this entire process he has endured much and said little. Despite the seriousness of the situation, he is a man who always radiates an inner serenity that soothes his allies and neutralizes his opponents. He has always said that his life is an open book, so he did not consider it necessary to defend himself. Now, though, he has decided to speak out. After surviving so many storms, he knows that his strength is being Ernesto Samper. That Ernesto Samper is the one who met with SEMANA's editorial staff for two hours last Friday for his first interview in several months on the present situation. These are the highlights of that conversation.

[SEMANA] Mr. President: Many people think that your government has spent so much time defending itself from all the attacks of which it has been the target that it has not been able to govern.

[Samper] That is what the instigators of these attacks think. I will confess to you that, on the contrary, I have never worked so much or with so much enthusiasm. In these first months we have put together a budget, the Solidarity Network, the Social Pact, the National Employment Plan, and the Development Plan, just to list a few things. Let me say that the man who is depressed, who is said to be depressed, has not been me.

[SEMANA] Then why the widespread story that your government is obsessed with all those episodes?

[Samper] I believe the ones who are obsessed are some of the media who devote more attention to covering sensational stories than substantive issues. For example, last week we presented the Employment Plan, which I think is one of the most important things this government is going to leave behind. It is going to give jobs to 1.5 million people. And not even you people in SEMANA considered it newsworthy. So the problem is not that we are not governing because we are concentrating on defending ourselves.

[SEMANA] We accept the scolding about the Employment Plan, but we do not share your position that the Colombian media are reporting what the foreign media are publishing.

[Samper] I respect the journalists' opinion. Of course. I simply expressed an opinion which I continue to hold. Some of the international media publish supposed accusations without foundation. In Colombia this information is recycled without any data being checked, using as its sole basis the fact that it was published abroad. All this becomes a vicious circle in which the two feed each other, without either party having any solid information.

[SEMANA] You have always been regarded as having the virtues of a peacemaker, a person opposed to confrontation, someone who likes to settle things amicably. It is surprising to see you in this state of mind. Does this mean that you are moving from the defensive to the offensive?

[Samper] In Colombia's circumstances now the president must always be on the offensive. The problems are so big that it is not possible to be passive. One must be active and lead, one must face up to situations. That does not imply that there will be no reconcilation. People do not know that at times reconcilation is more difficult than confrontation. Reconcilation requires more effort, more time, but what is achieved is more permanent. Another thing is that there are issues on which one needs to draw a line.

[SEMANA] Like what?

[Samper] There are issues on which the president must be constantly on the offensive and can never lower his guard. For example, crop eradication, a political solution for the problem of armed violence, military authority, defense of freedom of the press, maintaining discipline concerning the Social Pact. On issues like these it is not only appropriate but essential for the government to lead the way, and that is precisely what I have been doing in recent days. If people call that going on the offensive then, yes, I am on the offensive.

[SEMANA] We are going to use that direct tone of yours to ask you some equally direct questions. Do you not think that you waited a very long time before requesting that the narcocassettes investigation be reopened?

[Samper] Nobody in Colombia would like these facts to be cleared up more than the president. It seems strange to me that you and many people forget that I was the first person who asked that the case be reopened, on the day after the elections. In January of this year I again asked the Prosecutor General to reopen the case. But some people do not realize or do not want to realize that the president does not open or close judicial investigations.

[SEMANA] How do you view your relations with the Prosecutor General?

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[Samper] The truth is that my relations with Prosecutor Valdivieso are very good, not only on institutional matters, but personally as well. I am convinced that the only way for the nation to have an effective criminal policy is for there to be a relationship between the government and the Prosecutor General's Office. I am sure the Prosecutor General thinks the same way, and that is where we stand.

[SEMANA] What do you think is going to happen to Alfonso Valdivieso as a consequence of the Council of State ruling that the arguments used to remove De Greiff were unconstitutional?

[Samper] I do not want to get involved in a legal controversy, as there are contradictory viewpoints on the Prosecutor General's legal position. I have always set a rule for myself to respect jurisdictional rulings. But let me state my position as president: I think Alfonso Valdivieso is doing very important work that should not be interrupted. If for some circumstance, which I do not foresee now, his selection were to be invalidated and I had to send a new list of candidates to the Supreme Court, that list would be headed by Alfonso Valdivieso.

[SEMANA] The Prosecutor General's Office has made accusations about campaign t-shirts supposedly financed by the Cali cartel, which according to some legislators, were not for their congressional campaigns but for the presidential campaign. What is your opinion of that?

[Samper] Everyone who has been involved in politics know that in a campaign it is not physically possible for the candidate to know how t-shirts are handled or distributed. And not just t-shirts: there are also pens, caps, and other items, and they are frequently distributed independently in each department. I remember when in one of my campaigns I went to a department where someone had had the brilliant idea of surprising me with t-shirts showing my face, with glasses and everything, with the bushy hair of Che Guevara. I am still not sure that it was not my enemies who made such a significant contribution to my image. That is only a story, but what I want to illustrate is that a campaign is a situation full of spontaneous occurrences, full of unexpected situations that no one controls. Regarding the accusations of the Prosecutor General's Office, I think what all Colombians think: that they should be clarified, and if there were irregularities, they should be punished.

[SEMANA] But this is the first time you have referred to the issue.

[Samper] The fact is that if I could not be on top of some t-shirts when I was a candidate, you can imagine how restricted my time is now that I am president. It is an important issue, but it is a matter for justice, not for the Presidency.

[SEMANA] After all these episodes, many Colombians are disillusioned with politics and the electoral system. Specifically, could something be done?

[Samper] Everyone is aware of the limitations of our democracy, and we are all interested in cleaning up political behavior. I believe that a great step forward would be government financing of political parties and campaigns. The government is working on a bill on this issue as part of a general proposal on political party reform. We are going to consult the political parties represented in Congress to see what they think. The Constitution of 1991 legislated on political reform, but frankly it did not deal with the parties as the principal actors on the political stage. If this were a reform of the health care system, it would be like only having hospitals, without doctors to treat people.

[SEMANA] The reactions of some legislators investigated by the Office of the Prosecutor General have been interpreted as veiled blackmail of yourself. Did you perceive it that way?

[Samper] Some people have told me that my support for the Prosecutor General's decisions have generated that sort of feeling in some legislators. I must confess that I do not consider it like that. I simply believed it was my duty to give the Prosecutor General the government's full support to pursue his investigations, so they would be conducted with respect for due process and the accused's legitimate right to defense. That is the essence of the matter, the rest is a side issue.

[SEMANA] But didn't those misunderstandings affect your relations with Congress?

[Samper] I do not see why. On the contrary, this has been one of the most productive weeks in legislative terms since this government began. The Development Plan was passed, and projects of great importance like the Anticorruption Statute and the Ministry of Culture Law were defined.

[SEMANA] Mr. President, to change the subject, it is obvious that you are hardening your position on the Cali cartel. Does this have anything to do with pressure from the United States?

[Samper] I do not accept the premise that the government's position on the drug traffic is being hardened. There may have been some changes in strategy, like the offer of rewards this week, but the fight against the drug traffic has been relentless since the start of this government, and it has been directly supervised by the chief of state. Putting an end to this blight is an ethical

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imperative and a national security requirement for us. No country can teach us lessons on the need or way to fight the drug traffic. And much less put pressure on us, as all Colombians know that nothing and nobody have done so much damage to our country's institutional development as the corrupting and destabilizing influence of the drug traffickers.

[SEMANA] In recent days rumors about possible surrenders of the Cali cartel bosses have resurfaced. What is it going to be from now on: an all-out fight or negotiation?

[Samper] Both strategies are complementary. The surrender policy is in force. But surrender is not, as some people think, an alternative to pursuit, but rather a consequence of it. The commission I created to evaluate the surrender policy found that it was being misapplied, reduced to a formula for granting maximum sentence reductions and minimum penalties. With the reforms introduced, especially in the Office of the Prosecutor General, the policy is much clearer. It may be that it is more restrictive, but it is much more clearly defined.

[SEMANA] Let us turn to the Social Pact. In the business community the issue is not viewed very well. Even though inflation has slowed, neither the business associations nor the unions believe that the goal of 18 percent [inflation] can be achieved.

[Samper] If the Social Pact had not existed inflation would certainly have gone through the roof by now. But the Pact has helped to discipline expectations in many sectors, which without a doubt has resulted in lesser increases in the cost of living. The 18 percent [inflation] goal is possible, even though some people think the opposite. This was proved by the annualized inflation rate, which is two points below last year's rate.

[SEMANA] One criticism, Mr. President, is that you offer too much without having the necessary financial resources to back these offers up. Specifically, that to leave your audience happy, there is no speech without something being given away.

[Samper] That is simply not true. Anyone who takes the trouble to study the Development Plan can prove it. All of my government's social goals are already contained and financed in the Development Plan which has just been passed by Congress. Now there can be no quibbling about development objectives. Each proposal must be included in the plan and each goal must have its funding allocated to pay for it. I assure you that goals like employment and social investment are absolutely possible.

[SEMANA] You pledged during the campaign that you would not raise taxes. But the tax reform is full of items that seem to be going up. Why?

[Samper] I pledged not to increase taxes, that is true. But I did not pledge to allow people not to pay the taxes they owe. That, and nothing else, is what the tax reform is: mechanisms to make people pay, like control of VAT [Value Added Tax] evasion, the regulation of financial *leasing*, presumptive taxation on gross revenues, or the increase in the vehicle tax, which I hope will help to reduce traffic jams in cities like Bogota.

[SEMANA] Let us turn from economic issues and move to the peace process. Conservative Party leaders have just called for a suspension of talks with the guerrillas. What do you think of their position?

[Samper] I have always believed and I continue to believe that we should seek a political solution to the problem of subversion. But that is a slow process, which takes time. The government has no desire to sit down at the negotiating table just to get up a few days later without having gotten anywhere. So with the High Commissioner, who is a skillful and patient negotiator, we have managed things with calm. To date, it is true, we have not received an unequivocal expression of a desire for peace on the part of the armed rebels. There are messages and proposals, but they have not expressed a clear intention to achieve what we all want: a permanent peace treaty.

[SEMANA] And that hand held out unilaterally does not weaken the government's position? [Samper] No, because the government has never renounced its obligation to maintain public order and civic tranquility. Anyone who believes that principle can be sacrificed as a condition for an eventual peace negotiation is wrong. We would never do that. In fact, we are strengthening the Armed Forces, especially in intelligence, communications, and through the acquisition of helicopters.

[SEMANA] Why not give us a hint? When is the cabinet crisis going to happen?

[Samper] I would rather have ministers stay for a year than for a month. I also think that is better for the country. So unless there are exceptional circumstances, it seems better to stick to that rule.

[SEMANA] What do you intend to do about the conservatives and Andres Pastrana when that year is up?

[Samper] I have not spoken with Andres Pastrana since the day of the famous television debate during the campaign when Navarro entered the studio by surprise. That was the last time I saw him. Recently, though, I did

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receive a message from him after the story published in LA PRENSA. I sincerely appreciate this gesture on this part. As for the conservatives, I have enjoyed governing with them. They have been loyal partners and have contributed to what we have done in these months.

[SEMANA] Senator Helms has set demanding terms on Colombia for us to obtain U.S. certification next year. What are you going to do?

[Samper] Colombia does not accept ultimatums or conditions from anyone. What we are doing and what we will continue to do we will do through conviction and not coercion. As president, the ultimatums I get at home from my wife and children are enough, and more than enough, for me.

[SEMANA] Before leaving we want to ask a question of Ernesto Samper the man, and not the president. We are not going to enumerate everything that has been said and published about you in Colombia and abroad during the last six months, for that is not necessary. As a human being, what has your experience been during this process?

[Samper] The experience has been difficult. One feels somewhat saddened when political hatreds are expressed as personal attacks. This situation affects me particularly for Jacquin and my children who, in their own way, feel the impact. People think that presidents are all-powerful, and that is not so. There is no one with fewer opportunities to speak or express himself than the president. For special moments are needed for a president so speak. And they are not so easily found. The second thing is that in times of certain decisions one understands Valencia's phrase about the chill produced by power. It is in the moments when one is most alone internally that one would like not to be so alone. I am a man with a cool head and a warm heart, and at times they can not be easily combined. Another experience is that problems do not choose the best day and time. They may all arrive on a Thursday at 1100, or appear on a Saturday evening. Being president means losing that delicious ability to enjoy the difference between a Monday morning and a Friday evening.

Ecuador

President Admitted to Hospital for Checkup

PA1505192995 Madrid EFE in Spanish 1821 GMT 15 May 95

[FBIS Translated Text] Quito, 15 May (EFE) — Ecuadoran President Sixto Duran-Ballen today was admitted to Quito Military Hospital to undergo a "routine" checkup of his spinal cord, after undergoing surgery six months ago.

The Presidency of the Republic issued a communique that says Duran-Ballen began "a series of checkups and evaluations as part of the recovery process" for spinal column surgery he underwent in the U.S. city of Washington on 8 November.

The chief of state will undergo medical tests of "a general nature and will begin a physical therapy program as part of special activities within the context of the postoperative period," according to the communique issued by Carondelet Presidential Palace. Duran-Ballen will remain at the military hospital for 72 hours to undergo tests connected with his recovery. He has had two back operations since beginning his presidential term in 1992.

Foreign Minister Denies Existence of 'Major' Clashes

PA1505192795 Madrid EFE in Spanish 1852 GMT 15 May 95

[FBIS Translated Text] Quito, 15 May (EFE) — Ecuadoran Foreign Minister Galo Leoro today confirmed new "incidents" have taken place along the Ecuadoran-Peruvian border, but he denied the existence of major clashes.

"There is no information on incidents along the Condor Mountain Range this morning," Leoro said after asserting, "there were some incidents, but not skirmishes or military clashes. There was no exchange of fire or anything like that."

He said: I hope the Armed Forces Joint Command explains what happened "not this morning, but yesterday or the day before yesterday." Meanwhile, a spokesman for Carondelet Presidential Palace told EFE he does not know what kind of incident was reported or whether there were any casualties.

The incidents are being reported at a time when Ecuadoran and Peruvian troops are involved in a demobilization of forces from those zones that were not directly involved in the undeclared war waged by the two nations between 26 January and 28 February.

Acting Minister on Exchange of Fire at Peruvian Border

PA1605024795 Madrid EFE in Spanish 0118 GMT 15 May 95

[FBIS Translated Text] Quito, 15 May (EFE) — Acting Defense Minister General Victor Bayas denounced today a report stating that on 15 May there was an exchange of fire between Ecuadoran and Peruvian soldiers, without any casualties being reported.

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"There was no clash (between troops) but an exchange of fire at the detachment level yesterday, Sumday, at Ecuador's Etza Detachment," the minister said.

Bayas made these statements to Ecuador's "Ecuavisa" television network, after the High Command of the Ecuadoran Armed Forces accused Peru of failing to comply with the peace agreement that ended the conflict between the two countries last January and February.

Communications Secretary Resigns for Personal Reasons

PA1605030995 Quito Voz de los Andes in Spanish 2300 GMT 15 May 95

[Report by Edwin Chamorro, from "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran Government Communication Secretary Enrique Proano has announced that he has presented his resignation to the president of the Republic. The following is his explanation for resigning from his post:

[Begin Proano recording] I presented my resignation as national government communications secretary to the president of the Republic last Wednesday [10 May]. I am summoning you today to clarify ill-intended rumors that I have resigned because of differences with President Sixto Duran-Ballen. This, I tell you, is totally false. The rumor mill has given the media the report that Enrique Proano has resigned because of differences with Sixto Duran-Ballen. I am quoting the media's report. Thus, I have decided to present my position and specify that this report is totally false and offensive, because it attempts to place me at odds with the president of the Republic. Just as the text of my resignation reads, I reassert that my resignation is due purely and strictly to personal reasons. I have served the country for more than a year. My commitment was for this amount of time. I, however, stayed on longer because of the conflict.

I take this opportunity to report that we have initiated efforts to install a computerized information system at the national and international level and that it is currently being established. This system was one of the bastions that allowed us to come out ahead in the information battle during the recent conflict between the two fraternal countries, which was triggered by the Peruvian president's military and political ambitions.

I also want to announce that we are currently reorganizing Senacom [State Communications National Secretariat], which includes the National Radio Network, and furthering a national communication strategy, which the national government did not have previously, as well as a post-conflict strategy. I was not given any type of program when I arrived at the post I occupy today.

I reiterate that I have presented my resignation to the president of the republic and that my resignation is due to personal reasons. I categorically deny that my request is due to differences with President Sixto Duran-Ballen, who has, today and always, my greatest consideration and respect. [end recording]

This was National Government Secretary Enrique Proano announcing his resignation. We still do not know the president's reply to this resignation because he was hospitalized today.

Armed Forces Accuse Peru of Violating Peace Accord

PA1605040695 Quito Voz de los Andes Network in Spanish 0303 GMT 16 May 95

[FBIS Translated Text] The Ecuadoran Armed Forces have accused Peru of violating the Itamaraty Peace Agreement by not withdrawaing its forces from the Soldado Chiqueiza Peruvian detachment. The most recent incidents caused by Peruvian troops last week are a source of concern for the Armed Forces, the Joint Command noted in a press release. This is the result of Peru's failure to comply with the withdrawal of the forces at the Soldado Chiqueiza Detachment that are a counterbalance to Ecuadoran forces at the Teniente Ortiz Detachment.

The Joint Command added that the border incident was reported to the mission of international observers who are safeguarding the delicate cease-fire that is in effect between the two countries.

Ecuador is complying with the peace agreement, a ranking officer said, noting that Peru has been inflitrating its troops inside Ecuadoran territory. The officer, who asked not be identified, ascertained that a Peruvian patrol fell into a mine field near Puerto Condorvirador, one of those constantly bombed during the conflict.

We do not know if there were any dead or wounded, but they had no business being there. The officer added that the incident could have been the same that Peru described as an alleged Ecuadoran attack.

The officer added that Peruvian soldiers have been infiltrating some of the detachments not contemplated in the demobilization agreement. This is being done, he said, to pressure Ecuador into withdrawing its troops from those places too.

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Uruguay

Foreign Minister Travels to Brazil; Notes New Envoys

PY1605024495 Madrid EFE in Spanish 0147 GMT 13 May 95

[FBIS Translated Text] Montevideo, 12 May (EFE) — On the last stage of his scheduled talks with leaders from Common Market of the South [Mercosur] countries, Uruguayan Foreign Minister Alvaro Ramos today traveled to Brazil to meet his counterpart Luiz Felipe Lampreia and President Fernando Henrique Cardoso.

Before his departure Ramos announced the appointment of new ambassadors to American, European, and African countries.

Ramos pointed out that in Brazil "we will work with Minister Lampreia, with whom we will discuss issues linked to trade and to the strengthening of Mercosur and of the political and economic coordination organizations of the Latin American countries."

The Uruguayan foreign minister also emphasized that during his talks with his counterparts from Argentina, Paraguay, and now Brazil, he is "pursuing issues linked to defense, security, and trade, such as those discussed during the Miami summit."

After meeting Lampreia and President Cardoso, Ramos will go to Sao Paulo, where he will "contact the Sao Paulo State Federation of Industries, which is a very important entrepreneurial sector."

The minister said he also met today with Latin American ambassadors to discuss Uruguay's stance at the Rio Group meeting scheduled for 22 and 23 May in Quito.

Ramos reported the names of the new Uruguayan ambassadors: Tabare Bocalandro to Peru; Federico Bouza to Paraguay; Guillermo Valles to Belgium and the European Union; Duncan Croci to Ecuador; Walter Echeverria to Bolivia; Enrique Tarigo to Spain; Jose Luis Aldabalde Arburua to South Africa; Roberto Vivo to Greece; Domingo Schipani to Colombia; Daniel Soto to Bulgaria; and Carlos Gianelli to Mexico.

In response to questions linked to criticism leveled by some ruling party legislators over excessive spending incurred by the diplomatic service, Ramos admitted that some budget adjustments are being made, and that some embassies might be closed down, but did not announce which ones.

The Uruguayan foreign minister also refused to make any comments on the congressional investigation involving the activities of the Uruguayan delegation to the Joint Commission that administrates the binational Salto Grande dam with Argentina.

Ramos said he had issued instructions to adjust the budget of the Uruguayan delegation in Salto Grande, and "put it at a level that is consistent with the commitments entered by the two governments."

Concerning the privatization of the Salto Grande dam that is being promoted by the Argentine Government, Ramos emphasized: "Uruguay does not intend to approve a concession, privatize, or even discuss this issue."

The Uruguayan foreign minister added: "We will actually discuss with Argentina our country's energy policy, and the possibility of linking our energy networks, based on the role that the binational dam can play."

Venezuela

Caldera: Country To Respect International Commitments

PA1105131795 Caracas Venezolana de Television Network in Spanish 0200 GMT 9 May 95

[From "The News" newscast]

[FBIS Translated Text] Venezuela will respect its international commitments, and with the help of foreign investment will be able to relaunch its development, President Rafael Caldera said in Rome at a news conference, while referring his country's financial commitments.

During his news conference, President Caldera recalled that the country's foreign debt represents 30 percent of the national budget, to which we have to add the domestic debt, that represents another 20 percent of the budget. The chief of the Venezuelan state pointed out that all these commitments will be respected.

In addition to talking about the Venezuelan potential, the president also talked about the commitment to comply with the anti-inflationary pact his government has proposed.

President Caldera also stressed Italy's interest in investing in Latin America. As for the integration issue, he explained that we will soon have South America turned into an economic entity.

[Begin Caldera recording] Italy is becoming sympathetic toward Latin America and has a firm inclination toward the idea of integrating with our process. I believe that in this integration process, moving forward at a high speed on our continent, the Italian experience and its direction of unity will support and promote us, and will offer us permanent advice. [end recording]

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Development Minister Comments on Anti-Inflation Pact

PA1305035395 Caracas Venezolana de Television Network in Spanish 0200 GMT 10 May 95

[From "The News" newscast — passages within quotation marks recorded]

[FBIS Translated Text] The government is willing to work toward the goals outlined in the anti-inflation pact, Development Minister Werner Corrales has said, while announcing that the decline in the GNP will be trimmed to less than 4 percent this year. Meanwhile, the signing of the pact has been postponed once again. Zayda Pereira has the story:

[Pereira] A new deadline has been set for signing the letter of intent for the anti-inflation pact. Meanwhile, prices are stabilizing and the government is making public the monetary stabilization goals and the inflation indexes. The pact could be signed next week when Fedecamaras [Venezuelan Federation of Associations and Chambers of Commerce and Industry], Consecomercio [National Council of Commerce and Services], Conindistria [Venezuelan Council of Industry], and Cavidea [Venezuelan Food Industry Chamber] meet with Development Minister Corrales to explain their positions, which implicitly state that they all would work to help stabilize prices.

[Fedecamaras President Edgardo Romero Navas, identified by caption] "The idea is to do away with the inflationary pressures and to acknowledge that the government is also working on certain options. As long as the dollar influxes are guaranteed, and as long as the exchange rate is at 170 bolivares, market liquidity and price stability will be undoubtedly guaranteed."

[Pereira] Strangely, the Venezuelan Workers Confederation [CTV] agreed with businessmen to ask the government to define its economic policies. However, the CTV also praised the fact that there is an alternate proposal. If an agreement is not reached, prices should be frozen.

[CTV leader Federico Garcia Leon, identified by caption] "The government has taken a long time to come to this decision, which should have been made at the beginning. This situation allowed the business sector to hike prices."

[Pereira] Cavidea President Simon Nobile stressed that the food industry will stabilize prices.

[Nobile] "All sectors will indeed be called on to maintain current prices."

[Pereira] However, Consecomercio said it cannot guarantee anything.

[Consecomercio President Eliseo Sarmiento] "Once costs are stabilized, we will possibly be able to make prices flexible according to the inflation rate for which we are striving — the lowest rate possible."

[Pereira] Nevertheless, Development Minister Corrales is optimistic and believes there will be more agreements soon, because the number of people and organizations supporting the pact is increasing.

[Corrales] "This first anti-inflation commitment is nothing more than the first of a number of commitments that civilian society must make to resolve the problems we have."

[Pereira] Meanwhile, Fedeagro [National Federation of Agricultural-Livestock Producers] and Fedenaga [National Cattlemen's Federation] — the country's productive sectors — said they will sign the letter of intent only if it includes everyone's commitments.

[Fedeagro President Hiram Gaviria, identified by caption] "If it is a commitment in which each sector accepts a share of responsibility in the triggering of the crisis and agrees to make a sacrifice to overcome it, Fedeagro will support this commitment."

[Pereira] The organized groups and cooperatives, which are truly adversely affected without having political banners and economic interests, will ensure these agreements are complied with, while alerting people to file reports if the pact is breached.

[Secunave's [expansion unknown] Joaquin Guanipa, identified by caption] "Thanks to the activities we are carrying out, we can give a minimum assurance that the agreements emerging from this situation will truly be complied with."

[Pereira] As for the people's opinion on the anti-inflation pact, cooperatives will collect people's signatures supporting this pact on 14 May at the auto market.

Fedecamaras To Sign Government's Anti-Inflation Pact

PA1305155895 Caracas Venezolana de Television Network in Spanish 0200 GMT 12 May 95

[Report by Hector Matheu from "The News" newscast]

[FBIS Translated Text] Apparently there is a willingness to sign, once and for all, the so-called anti-inflation pact proposed by the national government and to seek a solution to the economic crisis that prevails in the country.

Fedecamaras [Venezuelan Federation of Associations and Chambers of Commerce and Industry] is firmly determined to sign the letter of intent that allows

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the implementation next week of an anti-inflation pact sponsored by the Executive Branch.

The positive announcement was made by the Fedecamaras president following a meeting with Mexican businessmen at Miraflores Palace.

[Begin Fedecamaras President Edgar Romero Nava recording] We are preparing the letter of intent on the pledge. As you know, we have stated our willingness to sign it. Since this involves documents it takes some time to prepare them and exchange views. We want the people to be convinced that what we are doing can be good news for the country, meaning a good beginning for unity and rapprochement among Venezuelans from different sectors, to seek a solution for the country. [end recording]

Meanwhile, 35 Mexican businessmen met in Miraflores Palace with President Rafael Caldera, with whom they talked about investments in our country.

[Begin Cemai President Francisco Lopez] The mission, which is comprised of 35 Mexican businessmen, brought specific commercial plans and plans for strategic alliances and investments. We have held 110 meetings with Venezuelan businessmen, as well as a seminar that involved the participation of ministers and vice ministers from both countries. We had a frank and constructive dialogue on the two countries' economic situations and the challenges and opportunities that this represents. [end recording]

The businessmen from Mexico, which is part of the Group of Three, have invested more than $90 million in our country during the first quarter.

Minister Recommends Paying Foreign Debt With Oil Revenues

PA1405043995 Caracas Venezolana de Television Network in Spanish 1550 GMT 12 May 95

[From "The News" newscast]

[FBIS Translated Text] Energy and Mines Minister Erwin Arrieta said that the $800 million surplus from the increase in crude oil prices could fully or partially pay the foreign public debt. This suggestion was made during the forum entitled Rescue Fund for the Public Foreign Debt, organized by the Chamber of Deputies Permanent Economy Committee.

The minister said oil prices over the past few days have registered an average increase of $1 per barrel, which would represent an additional income for the country of approximately $800 million if it continues.

[Begin Arrieta recording] Outside factors have resulted in levels better than what was expected or budgeted. We must learn to make the best of it and not spend it, as we did in the 1970's. [end recording]

Zulia Oil Workers Begin Strike Over Subsidy Bond

PA1605044095 Caracas Venezolana de Television Network in Spanish 1550 GMT 15 May 95

[From "The News" newscast]

[FBIS Translated Text] Oil industry strike threats have been realized. More than 20,000 Zulia State oil workers started a staggered strike in the pre-dawn hours this morning to demand a subsidy bond. Despite the fact that yesterday the labor minister stressed that they are not entitled to it, the oil workers decided to go ahead with their actions until this salary demand is satisfied. It is not known up to this moment if this strike will affect national oil production.

In an emergency meeting held on Sunday, the labor minister said that the oil workers are not included in Decree 617 that establishes a 500 bolivares-a-day-per shift subsidy bonus. The strike in 13 Zulia State municipalities is illegal, and Labor Minister Juan Nepomuceno Garrido warned that he will act firmly if the workers insist on claiming a payment that they are not entitled to.

Nevertheless, Venezuelan Petroleum President Luis Giusti promised to pay a sum, which is the equivalent of the compensatory bond, beginning in June and retroactive on the date of the decree.

Roundup of Venezuelan Economic Developments

PA1505192595

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 15 May:

Despite differences between the aeronautics sector and the Exchange Administration Board, the latter has approved a total of $23 million for the nation's airlines. Samuel Wilhelm, president of the Exchange Administration Board, said foreign exchange for the purchase of spare parts will be made available to companies in the sector within 72 hours. (Caracas Venezolana de Television Network in Spanish 0200 GMT 9 May 95)

It has been learned that in January and February, Venezuela registered a trade surplus of nearly $11 million with Mexico. According to Under Secretary of Trade Decio De Maria, the trade surplus is based on Mexican figures on bilateral trade in the first two months of the year. He said that during this period, overall bilateral trade totaled $88.7 million. Of this, Venezuelan exports totaled $49.7 million, while Mexican exports

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to Venezuela amounted to $39 million. (Caracas EL UNIVERSAL in Spanish 11 May 95 p 2-4)

According to an 11 May, Caracas-datelined report, the Central Bank of Venezuela (BCV) today issued Monetary Stabilization Bonds (TEM's) in bolivares worth a total of $307.4 million. The fixed interest rate was set at 20 percent annually, while the floating rate was set at 35 percent. TEM's are monetary instruments used by the government to reduce the excess liquidity that has prevailed in the market and has helped drive inflation since mid-1994. (Mexico City NOTIMEX in Spanish 0114 GMT 11 May 95)

The National Integrated Service for Tax Administration (Seniat) has surpassed its income tax collection goals for the first three months of 1995 by 10.7 percent. This represents a total of 24.9 million bolivares. Seniat forecasts that next year tax revenues will total 1.2 trillion bolivares, and this target could be exceeded by 150 billion bolivares if current trends continue. The increase in revenue will help close the existing fiscal gap in the national budget. (Caracas Venezolana de Television Network in Spanish 0200 GMT 12 May 95)

According to a 12 May, Caracas-datelined report, foreign firms will invest $160 million over the next three years to promote the production of oil and gas in the Colon plant, according to a source at the state-owned Maraven company. The consortium in charge of the exploitation, which includes Tecpetrol, Nomeco, Corexland, and Wascanan, began operations on 1 May. (Madrid EFE in Spanish 0031 GMT 13 May 95)

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